

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

**FORM S-4**  
REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

**K. HOVNIANIAN  
ENTERPRISES, INC.**

California

(Exact Name of Registrant as Specified in Its Charter)  
(State or Other Jurisdiction of Incorporation or Organization)

1520

(Primary Standard Industrial Classification Code Number)

22-2423583

(I.R.S. Employer Identification Number)

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

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

**HOVNIANIAN  
ENTERPRISES, INC.**

Delaware

1531

22-1851059

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

**SEE TABLE OF ADDITIONAL REGISTRANTS**

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

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

*Copies to:*

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

**Approximate date of commencement of proposed sale to the public:  
As soon as practicable after the effective date of this Registration Statement.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

**CALCULATION OF REGISTRATION FEE**

| Title Of Each Class Of Securities To Be Registered | Amount To Be Registered | Proposed Maximum Offering Price Per Unit | Proposed Maximum Aggregate Offering Price | Amount Of Registration Fee |
|--|-------------------------|--|---|----------------------------|
| 6.25% Senior Notes due 2016                        | \$300,000,000           | 98.429%(1)                               | \$295,287,000(1)                          | \$34,756(2)                |
| Guarantees of 6.25% Senior Notes due 2016          | (3)                     | (3)                                      | (3)                                       | None(3)                    |
| Total  | \$300,000,000           | 98.429%(1)                               | \$295,287,000(1)                          | \$34,756(2)                |

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457 of the Securities Act of 1933.

(2)

The registration fee for the securities offered hereby has been calculated under Rule 457(f)(2) of the Securities Act of 1933.

(3) No consideration will be received for the Guarantees.

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

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**TABLE OF ADDITIONAL REGISTRANTS**

| Exact Name of Registrant<br>As Specified in Its Charter | State or Other<br>Jurisdiction of<br>Incorporation or<br>Organization | IRS Employer<br>Identification<br>Number | Address Including Zip Code,<br>and Telephone Number<br>Including Area Code,<br>of Registrant's Principal<br>Executive Offices |
|---|---|--|---|
| Arrow Properties, Inc.                                  | NJ  | 22-1945442                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| Hovnanian Developments of Florida, Inc.                 | FL  | 22-2416624                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>747-7800   |
| K. Hov International, Inc.                              | NJ  | 22-3188610                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hov IP, II, Inc.                                     | CA  | 57-1135061                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hov IP, Inc.   | CA  | 95-4892009                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hovnanian Acquisitions, Inc.                         | NJ  | 22-3406671                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hovnanian at Ballantrae, Inc.                        | FL  | 22-3309139                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hovnanian at Bernards IV, Inc.                       | NJ  | 22-3292171                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |
| K. Hovnanian at Branchburg III, Inc.                    | NJ  | 22-2961099                               | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800   |

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| K. Hovnanian at Bridgeport, Inc.     | CA | 22-3547807 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Bridgewater VI, Inc. | NJ | 22-3243298 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Burlington III, Inc. | NJ | 22-3412130 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Burlington, Inc.     | NJ | 22-2949611 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Calabria, Inc.       | CA | 22-3324654 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Carmel Del Mar, Inc. | CA | 22-3320550 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Castile, Inc.        | CA | 22-3356308 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Chaparral, Inc.      | CA | 22-3565730 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Clarkstown, Inc.     | NJ | 22-2618176 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Crestline, Inc.           | CA | 22-3493450 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Dominguez Hills, Inc.     | CA | 22-3602177 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at East Whiteland I, Inc.    | PA | 22-3483220 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Freehold Township I, Inc. | NJ | 22-2459186 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hackettstown, Inc.        | NJ | 22-2765936 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hershey's Mill, Inc.      | PA | 22-3445102 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Highland Vineyards, Inc.  | CA | 22-3309241 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hopewell IV, Inc.         | NJ | 22-3345622 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hopewell VI, Inc.         | NJ | 22-3465709 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Howell Township, Inc. | NJ | 22-2859308 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Kings Grant I, Inc.   | NJ | 22-2601064 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Klockner Farms, Inc.  | NJ | 22-2572442 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at La Terraza, Inc.      | CA | 22-3303807 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at La Trovata, Inc.      | CA | 22-3369099 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lakewood, Inc.        | NJ | 22-2618178 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lower Saucon, Inc.    | PA | 22-2961090 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mahwah II, Inc.       | NJ | 22-2859315 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mahwah V, Inc.        | NJ | 22-2868663 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Mahwah VI, Inc.            | NJ | 22-3188612 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mahwah VII, Inc.           | NJ | 22-2592139 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Manalapan, Inc.            | NJ | 22-2442998 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro II, Inc.          | NJ | 22-2748659 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro Township IV, Inc. | NJ | 22-3301196 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Metro DC South, Inc.       | VA | 22-3583847 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Monroe II, Inc.            | NY | 22-2718071 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Montclair NJ, Inc.         | NJ | 22-2759221 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Montgomery I, Inc.         | PA | 22-3165601 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Northern Westchester, Inc. | NJ | 22-2814372 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Northlake, Inc.            | CA | 22-3336696 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Ocean Township, Inc.       | NJ | 22-3094742 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Ocean Walk, Inc.           | CA | 22-3565732 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Perkiomen I, Inc.          | PA | 22-3094743 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Perkiomen II, Inc.         | PA | 22-3301197 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Plainsboro III, Inc.       | NJ | 22-3027955 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Princeton, Inc.            | NJ | 22-3322125 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Rancho Cristianitos, Inc.  | CA | 22-3369102 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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| K. Hovnanian at Reservoir Ridge, Inc.     | NJ | 22-2510587 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at San Sevaime, Inc.         | CA | 22-3493454 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Saratoga, Inc.            | CA | 22-3547806 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Sawmill, Inc.             | PA | 22-3602924 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Scotch Plains, Inc.       | NJ | 22-3464496 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Scotch Plains II, Inc.    | NJ | 22-3464496 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Skye Isle, Inc.           | CA | 31-1820095 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Smithville, Inc.          | NJ | 22-1732674 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at South Brunswick III, Inc. | NJ | 22-2652530 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at South Brunswick V, Inc. | NJ | 22-2937570 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Stone Canyon, Inc.      | CA | 22-3512641 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Stony Point, Inc.       | NJ | 22-2758195 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Sycamore, Inc.          | CA | 22-3493456 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Tannery Hill, Inc.      | NJ | 22-3396608 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at The Bluff, Inc.         | NJ | 22-1841019 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at The Cedars, Inc.        | NJ | 22-3406664 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Thornbury, Inc.         | PA | 22-3462983 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Tierrasanta, Inc.       | CA | 22-3351875 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Tuxedo, Inc.                    | NJ | 22-3516266 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Union Township I, Inc.          | NJ | 22-3027952 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Upper Freehold Township I, Inc. | NJ | 22-3415873 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Upper Makefield I, Inc.         | PA | 22-3302321 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Vail Ranch, Inc.                | CA | 22-3320537 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wall Township VI, Inc.          | NJ | 22-2859303 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wall Township VIII, Inc.        | NJ | 22-3434643 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Washingtonville, Inc.           | NY | 22-2717887 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wayne III, Inc.                 | NJ | 22-2607669 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Wayne V, Inc.                    | NJ | 22-2790299 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wildrose, Inc.                   | CA | 22-3312525 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies Northeast, Inc.           | NJ | 22-2445216 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of California, Inc.       | CA | 22-3301757 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of Maryland, Inc.         | MD | 22-3331050 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of Metro Washington, Inc. | VA | 22-3169584 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of New York, Inc.         | NY | 22-2618171 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of North Carolina, Inc.   | NC | 22-2765939 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of Pennsylvania, Inc.     | PA | 22-2390174 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Companies of Southern California, Inc. | CA | 22-3493449  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Construction II, Inc.                  | NJ | 22-2246316  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Construction III, Inc.                 | NJ | 22-1945444  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Construction Management, Inc.          | NJ | 22-3406668  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Arizona, Inc.          | AZ | 31-1825442  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of California, Inc.       | CA | 22-3303806  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of D.C., Inc.             | DC | 20-2377106  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Delaware, Inc.         | DE | 20-1528466  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Illinois, Inc.         | IL | 20-24221053 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Developments of Maryland, Inc.         | MD | 22-3331045 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Metro Washington, Inc. | VA | 22-3188615 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Michigan, Inc.         | MI | 31-1826348 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Minnesota, Inc.        | MN | 20-1073868 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of New Jersey II, Inc.    | CA | 59-3762294 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of New Jersey, Inc.       | CA | 22-2664563 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of New York, Inc.         | NY | 22-2626492 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Ohio, Inc.             | OH | 32-0069376 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Pennsylvania, Inc.     | PA | 22-1097670 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Developments of South Carolina, Inc.      | SC | 58-2659968 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of Texas, Inc.               | TX | 22-3685786 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Developments of West Virginia, Inc.       | WV | 31-1826831 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Equities, Inc.                            | NJ | 21-0736206 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Forecast Homes, Inc.                      | CA | 95-4892007 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of North Carolina, Inc.             | NC | 56-1458833 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of Virginia, Inc.                   | VA | 52-0898765 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Investment Properties of New Jersey, Inc. | NJ | 22-2541361 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian PA Real Estate, Inc.                      | PA | 22-3188608 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Port Imperial Urban Renewal, Inc.                    | NJ | 22-3027956 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc. | NJ | 22-3017267 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Properties of North Brunswick V, Inc.                | NJ | 22-2057907 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Properties of Wall, Inc.                             | NJ | 22-3244134 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| KHC Acquisition, Inc.   | CA | 22-3303802 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Landarama, Inc.   | NJ | 22-1978612 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Long Branch, Inc.  | NJ | 22-3359254 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford of Delaware, Inc.                                | DE | 22-3686728 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| MCNJ, Inc.  | NJ | 22-2722906 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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| Pine Brook Company, Inc.                | NJ | 22-1762833 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Reflections of You Interiors, Inc.      | TX | 75-1967894 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Seabrook Accumulation Corporation       | CA | 33-0989615 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Stonebrook Homes, Inc.                  | CA | 33-0553884 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| The Matzel & Mumford Organization, Inc. | NJ | 22-3670677 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Washington Homes, Inc.                  | DE | 22-3774737 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Westminster Homes of Tennessee, Inc.    | TN | 52-1973363 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Westminster Homes, Inc.                 | NC | 52-1874680 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| WH Land I, Inc.                         | MD | 52-2073468 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| WH Properties, Inc.                                   | MD | 52-1662973 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Dulles Coppermine, L.L.C.                             | VA | 31-1820770 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Edison Contract Services, L.L.C.                      | NJ | 20-1131408 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group, L.L.C.               | MD | 20-0581911 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of California, L.L.C. | CA | 20-1471139 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of Florida, L.L.C.    | FL | 20-1379037 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of Maryland, L.L.C.   | MD | 20-1446859 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of New Jersey, L.L.C. | NJ | 20-3002580 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| Hovnanian Land Investment Group of North Carolina, L.L.C. | NC | 20-1309025 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of Texas, L.L.C.          | TX | 20-1442111 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Hovnanian Land Investment Group of Virginia, L.L.C.       | VA | 20-1020023 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at 4S II, L.L.C.                             | CA | 20-1618392 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at 4S, L.L.C.                                | CA | 73-1638455 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Acqua Vista, L.L.C.                       | CA | 20-0464161 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Aliso, L.L.C.                             | CA | 20-1218567 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Allentown, L.L.C.                         | PA | 20-3215910 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Arbor Heights, LLC                        | CA | 33-0890775 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Avenue One, L.L.C.       | CA | 65-1161801 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Barnegat I, L.L.C.       | NJ | 22-3804316 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Barnegat II, L.L.C.      | NJ | 20-3030275 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Bella Lago, L.L.C.       | CA | 20-1218576 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Berkeley, L.L.C.         | NJ | 22-3644632 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Bernards V, L.L.C.       | DE | 22-3618587 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Blue Heron Pines, L.L.C. | NJ | 22-3630449 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Bridgewater I, L.L.C.    | NJ | 31-1820703 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Bridlewood, L.L.C.       | CA | 20-1454077 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Camden I, L.L.C.        | NJ | 22-3845575 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Capistrano, L.L.C.      | CA | 20-1618465 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Carmel Village, L.L.C.  | CA | 52-2147831 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Cedar Grove III, L.L.C. | NJ | 22-3818491 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Cedar Grove IV, L.L.C.  | NJ | 20-1185029 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Chester I, L.L.C.       | DE | 22-3618347 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Chesterfield, L.L.C.    | NJ | 20-0916310 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Clifton II, L.L.C.      | NJ | 22-3862906 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Clifton, L.L.C.         | NJ | 22-3655976 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Cortez Hill, L.L.C.       | CA | 31-1822959 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Cranbury, L.L.C.          | NJ | 22-3814347 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Curries Woods, L.L.C.     | NJ | 22-3776466 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Denville, L.L.C.          | NJ | 03-0436512 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Deptford Township, L.L.C. | NJ | 20-1254802 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Dover, L.L.C.             | NJ | 20-3072574 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Eastlake, LLC             | CA | 31-1820096 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Edgewater II, L.L.C.      | NJ | 20-0374534 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Edgewater, L.L.C.         | NJ | 31-1825623 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Egg Harbor Township, L.L.C.    | NJ | 31-1826606 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Egg Harbor Township II, L.L.C. | NJ | 20-3158355 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Encinitas Ranch, L.L.C.        | CA | 33-0890770 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Florence I, L.L.C.             | NJ | 20-0982613 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Florence II, L.L.C.            | NJ | 20-0982631 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Forest Meadows, L.L.C.         | NJ | 16-1639755 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Franklin, L.L.C.               | NJ | 20-1822595 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Freehold Township, L.L.C.      | NJ | 22-2500651 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Gaslamp Square, L.L.C.         | CA | 20-1454058 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Great Notch, L.L.C.         | NJ | 22-3330582 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Guttenberg, L.L.C.          | NJ | 22-3653007 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hackettstown II, L.L.C.     | NJ | 20-0412492 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hamburg Contractors, L.L.C. | NJ | 22-3814175 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hamburg, L.L.C.             | NJ | 22-3795544 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Hawthorne, L.L.C.           | NJ | 20-0946954 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Highland Shores, L.L.C.     | MN | 20-2705991 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Highwater, L.L.C.           | CA | 20-1454037 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Jackson I, L.L.C.           | NJ | 56-2290802 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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| K. Hovnanian at Jackson, L.L.C.                             | NJ | 22-3630450 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Jersey City IV, L.L.C.                      | NJ | 22-3655974 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Jersey City V Urban Renewal Company, L.L.C. | NJ | 31-1818646 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at King Farm, L.L.C.                           | MD | 22-3647924 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at La Costa, L.L.C.                            | CA | 31-1820094 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at La Habra Knolls, LLC                        | CA | 31-1819908 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lafayette Estates, L.L.C.                   | NJ | 22-3658926 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lake Ridge Crossing, L.L.C.                 | VA | 22-3778537 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lake Terrapin, L.L.C.                       | VA | 22-3647920 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Lawrence V, L.L.C.                    | NJ | 22-3638073 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Linwood, L.L.C.                       | NJ | 22-3663731 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Little Egg Harbor Township II, L.L.C. | NJ | 20-2689884 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Little Egg Harbor Contractors, L.L.C. | NJ | 22-3832077 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Little Egg Harbor, L.L.C.             | NJ | 22-3795535 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Long Branch I, L.L.C.                 | NJ | 56-2308030 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lower Macungie Township I, L.L.C.     | PA | 51-0427582 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lower Macungie Township II, L.L.C.    | PA | 65-1161803 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Lower Makefield Township I, L.L.C. | PA | 22-3887471 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lower Moreland I, L.L.C.           | PA | 22-3785544 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Lower Moreland II, L.L.C.          | PA | 22-3785539 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Manalapan III, L.L.C.              | NJ | 22-3337896 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mansfield I, LLC                   | NJ | 22-3556345 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mansfield II, LLC                  | NJ | 22-3556346 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mansfield III, L.L.C.              | NJ | 22-3683839 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro Township IX, L.L.C.       | NJ | 20-1005879 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro Township V, L.L.C.        | NJ | 22-2741139 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Marlboro Township VIII, L.L.C.      | NJ | 22-3802594 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro VI, L.L.C.                 | NJ | 22-3791976 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Marlboro VII, L.L.C.                | NJ | 22-3791977 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mendham Township, L.L.C.            | NJ | 20-2033800 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Menifee, L.L.C.                     | CA | 52-2147832 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Menifee Valley Condominiums, L.L.C. | CA | 20-1618446 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Middle Township, L.L.C.             | NJ | 03-0473330 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Middletown II, L.L.C.               | NJ | 04-3695371 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Middletown, L.L.C.                  | NJ | 22-3630452 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Millville I, L.L.C.        | NJ | 20-1562308 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Millville II, L.L.C.       | NJ | 20-2221380 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Millville III, L.L.C.      | NJ | 20-2977971 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Monroe III, L.L.C.         | NJ | 20-0876393 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Monroe IV, L.L.C.          | NJ | 20-2364423 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Montvale, L.L.C.           | NJ | 20-1584680 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mosaic, LLC                | CA | 55-0820915 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Mt. Olive Township, L.L.C. | NJ | 22-3813043 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at New Windsor, L.L.C.        | NY | 20-3158568 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at North Bergen, L.L.C.       | NJ | 22-2935352 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at North Brunswick VI, L.L.C. | NJ | 22-3627814 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at North Caldwell II, L.L.C.  | NJ | 20-1185057 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at North Caldwell, L.L.C.     | NJ | 20-0412508 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at North Haledon, L.L.C.      | NJ | 22-3770598 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at North Wildwood, L.L.C.     | NJ | 5-3769684  | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Northampton. L.L.C.        | PA | 22-3785527 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Northfield, L.L.C.         | NJ | 22-3665826 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Old Bridge, L.L.C.         | NJ | 55-0787042 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Olde Orchard, LLC             | CA | 51-0453906 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Pacific Bluffs, L.L.C.        | CA | 33-0890774 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Paramus, L.L.C.               | NJ | 22-3687884 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Park Lane, L.L.C.             | CA | 33-0896285 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Parsippany-Troy Hills, L.L.C. | NJ | 20-2769490 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Philadelphia III, L.L.C.      | PA | 20-3216099 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Philadelphia IV, L.L.C.       | PA | 20-3216000 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Pittsgrove, L.L.C.            | NJ | 20-1562254 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Prado, L.L.C.                 | CA | 20-3158762 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Rancho Santa Margarita, L.L.C. | CA | 33-0890773 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Randolph I, L.L.C.             | NJ | 01-0712196 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Rapho, L.L.C.                  | PA | 20-2293515 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Readington II, L.L.C.          | NJ | 22-3085521 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Red Bank, L.L.C.               | NJ | 20-2489028 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Red Bank I, L.L.C.             | NJ | 20-3215837 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Riverbend, L.L.C.              | CA | 33-0890777 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Roderuck, L.L.C.               | MD | 22-3756336 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Rosemary Lantana, L.L.C.       | CA | 20-1786974 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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| K. Hovnanian at Rowland Heights, L.L.C. | CA | 22-2147833 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Sayreville, L.L.C.      | NJ | 22-3815459 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Scotch Plains, L.L.C.   | NJ | 20-1149329 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Shelf Company, L.L.C.   | CA | 20-1906844 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Smithville III, L.L.C.  | NJ | 22-2776387 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Somers Point, LLC       | NJ | 16-1639761 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at South Brunswick, L.L.C. | NJ | 01-0618098 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Springco, L.L.C.        | NJ | 65-1161805 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Springfield, L.L.C.     | NJ | 20-2892866 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Sunsets, L.L.C.           | CA | 33-0890768 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Teaneck, L.L.C.           | NJ | 20-1584240 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at the Crosby, L.L.C.        | CA | 20-0936364 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at the Gables, L.L.C.        | CA | 33-0890769 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at The Preserve, L.L.C.      | CA | 20-1337079 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Thompson Ranch, L.L.C.    | CA | 20-1599518 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Towngate, L.L.C.          | CA | 20-3158839 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Trail Ridge, L.L.C.       | CA | 33-0990615 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Union Township II, L.L.C. | NJ | 20-2828805 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Upper Freehold Township II, L.L.C.  | NJ | 22-3655975 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Upper Freehold Township III, L.L.C. | NJ | 22-3666680 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Upper Uwchlan II, L.L.C.            | PA | 31-1820731 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Upper Uwchlan, L.L.C.               | PA | 59-3763798 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Vineland, L.L.C.                    | NJ | 34-1997435 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wanaque, L.L.C.                     | NJ | 22-3626037 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Warren Township, L.L.C.             | NJ | 20-2594932 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Washington, L.L.C.                  | NJ | 22-3743403 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Wayne IX, L.L.C.                    | NJ | 22-3828775 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Wayne VIII, L.L.C.       | NJ | 22-3618348 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at West Bradford, L.L.C.    | PA | 20-2560211 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at West Milford, L.L.C.     | NJ | 22-3740951 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at West Windsor, L.L.C.     | NJ | 22-3618242 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Willow Brook, L.L.C.     | MD | 22-3709105 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Winchester, L.L.C.       | CA | 52-2147836 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Woodhill Estates, L.L.C. | NJ | 01-0550781 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Woolwich I, L.L.C.       | NJ | 22-3828777 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Yonkers I, L.L.C.        | NY | 20-1399287 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian at Yonkers II, L.L.C.                     | NY | 20-1399310 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian at Yonkers III, L.L.C.                    | NY | 20-1399330 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Cambridge Homes, L.L.C.                   | FL | 20-2387077 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Central Acquisitions, L.L.C.              | DE | 22-3556343 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies of Metro D.C. North, L.L.C.     | MD | 22-3683159 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Companies, LLC                            | CA | 59-3762298 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Eastern Pennsylvania, L.L.C.              | PA | 04-3630089 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian First Homes, L.L.C.                       | FL | 20-3198237 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Four Seasons at Historic Virginia, L.L.C. | VA | 22-3647925 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Four Seasons at Gold Hill, L.L.C.      | SC | 31-1820161 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Great Western Building Company, L.L.C. | AZ | 31-1825443 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Great Western Homes, L.L.C.            | AZ | 31-1825441 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Holdings NJ, L.L.C.                    | NJ | 02-0651173 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Cameron Station, L.L.C.       | VA | 20-1169628 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Camp Springs, L.L.C.          | MD | 20-0812020 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Fairwood, L.L.C.              | MD | 47-0880125 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Forest Run, L.L.C.            | MD | 20-0812109 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Laurel Highlands, L.L.C.      | VA | 20-1034880 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Homes at Maxwell Place, L.L.C.     | MD | 37-1493190 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Renaissance Plaza, L.L.C. | MD | 20-0364144 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes at Russett, L.L.C.           | MD | 20-1526150 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of D.C., L.L.C.              | DC | 20-2377153 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of Delaware, L.L.C.          | DE | 20-1528482 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of Maryland, L.L.C.          | MD | 01-0737098 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of Minnesota, L.L.C.         | MN | 20-1200484 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of Pennsylvania, L.L.C.      | PA | 20-0310776 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Homes of South Carolina, L.L.C.    | SC | 20-1906844 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Homes of West Virginia, L.L.C.     | WV | 20-2828654 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Investments, L.L.C.                | NJ | 20-0412455 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian North Central Acquisitions, L.L.C. | DE | 22-3554986 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian North Jersey Acquisitions, L.L.C.  | DE | 22-3556344 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Northeast Services, L.L.C.         | NJ | 16-1639452 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Ohio Realty, L.L.C.                | OH | 32-0069376 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Oster Homes, L.L.C.                | OH | 20-3198273 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Pennsylvania Acquisitions, L.L.C.  | PA | 54-2064618 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Shore Acquisitions, L.L.C.         | DE | 22-3556342 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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| K. Hovnanian South Jersey Acquisitions, L.L.C.     | DE | 22-3556341 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Southern New Jersey, L.L.C.           | NJ | 01-0648280 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Summit Holdings, L.L.C.               | VA | 31-1818027 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Summit Homes of Michigan, L.L.C.      | MI | 31-1826351 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Summit Homes of Pennsylvania, L.L.C.  | PA | 20-0310776 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Summit Homes of West Virginia, L.L.C. | WV | 31-1826832 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian Summit Homes, L.L.C.                  | OH | 32-0069379 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian T & C Investment, L.L.C.              | NJ | 20-2364394 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian T & C Management Co., L.L.C.          | CA | 20-2393546 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian Windward Homes, L.L.C.                                 | FL | 20-0301995 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Ashburn Village, L.L.C.              | VA | 20-0385213 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Bakersfield, L.L.C.                  | CA | 20-1454116 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Dulles Discovery Condominium, L.L.C. | VA | 20-1442155 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Dulles Discovery, L.L.C.             | VA | 20-1169675 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Hemet, L.L.C.                        | CA | 47-0884181 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Kent Island, L.L.C.                  | MD | 22-3668315 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Kent Island Condominiums, L.L.C.     | MD | 20-1727101 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| K. Hovnanian's Four Seasons at Menifee Valley, L.L.C.        | CA | 20-1454143 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Palm Springs, L.L.C.          | CA | 57-1145579 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at St. Margarets Landing, L.L.C. | MD | 22-3688864 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons at Vint Hill, L.L.C.             | VA | 31-1828049 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Four Seasons, L.L.C.                          | CA | 52-2147837 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian's Private Home Portfolio, L.L.C.                | NJ | 22-3766856 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| KHIP, LLC  | NJ | 01-0752776 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Kings Court at Montgomery, L.L.C.                            | NJ | 22-3825046 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Apple Ridge, L.L.C.                                   | NJ | 22-3824654 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| M&M at Brookhill, L.L.C.      | NJ | 22-3824652 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Chesterfield, LLC      | NJ | 56-2290506 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at East Mill, L.L.C.      | NJ | 80-0036068 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Heritage Woods, L.L.C. | NJ | 22-3824650 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Kensington Woods, LLC  | NJ | 31-1819907 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Morristown, L.L.C.     | NJ | 22-3834775 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Robert Morris, L.L.C.  | NJ | 22-0514216 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Sheridan, L.L.C.       | NJ | 22-3825357 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Sparta, L.L.C.         | NJ | 22-3825057 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| M&M at Spinnaker Pointe, L.L.C.            | NJ | 22-3825041 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Spruce Hollow, L.L.C.               | NJ | 22-3825064 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Spruce Meadows, L.L.C.              | NJ | 22-3825036 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Spruce Run, L.L.C.                  | NJ | 22-3825037 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Tamarack Hollow, L.L.C.             | NJ | 20-2033836 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at The Highlands, L.L.C.               | NJ | 22-3824649 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at West Orange, L.L.C.                 | NJ | 55-0820919 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M at Wheatena Urban Renewal, L.L.C.      | NJ | 20-1516521 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Cranbury Knoll, L.L.C. | NJ | 22-3569945 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| Matzel & Mumford at Egg Harbor, L.L.C.                      | NJ | 20-1706817 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Freehold, L.L.C.                        | NJ | 22-3468991 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Heritage Landing, L.L.C.                | NJ | 22-3575932 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Montgomery, L.L.C.                      | NJ | 22-3500542 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Phillipsburg, L.L.C.                    | NJ | 22-3619267 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at South Bound Brook Urban Renewal, L.L.C. | NJ | 20-0489677 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at South Brunswick, L.L.C.                 | NJ | 22-3445834 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Matzel & Mumford at Woodland Crest, L.L.C.                  | NJ | 22-3575934 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Midwest Building Products & Contractor Services, L.L.C      | OH | 20-2882866 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| MMIP, L.L.C.                                  | NJ | 02-0651174 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| North Manatee, L.L.C.                         | FL | 20-2751668 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Paddocks, L.L.C.                              | MD | 20-0027663 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Pine Ayr, L.L.C.                              | MD | 20-2229495 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Ridgemoire Utility, L.L.C.                    | MD | 31-1820672 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| The Landings at Spinnaker Pointe, L.L.C.      | NJ | 22-3825040 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Washington Homes at Columbia Town Center, LLC | MD | 22-3757772 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Westminster Homes of Alabama, L.L.C.          | MD | 63-1222540 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Westminster Homes of Mississippi, L.L.C.      | MD | 64-0907820 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |

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| Woodland Lakes Condos at Bowie Newtown, L.L.C. | MD | 06-1643401 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| Goodman Family of Builders, L.P.               | TX | 75-2653675 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian of Houston II, L.P.               | TX | 01-0750780 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| K. Hovnanian of Houston, L.P.                  | TX | 01-0750780 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |
| M&M Investments, L.P.                          | NJ | 22-3685183 | 10 Highway 35<br>P.O. Box 500<br>Red Bank, New Jersey 07701<br>732-747-7800 |



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

Subject to completion, dated August 24, 2005

**PRELIMINARY PROSPECTUS**



**\$300,000,000**

**K. Hovnanian Enterprises, Inc.**

Guaranteed by  
**Hovnanian Enterprises, Inc.**

**Offer to Exchange All Outstanding  
6.25% Senior Notes due 2016  
(\$300,000,000 aggregate principal amount outstanding)  
for 6.25% Senior Notes due 2016, which have been registered  
under the Securities Act of 1933**

**The Exchange Offer Will Expire at 5:00 p.m., New York City Time, on \_\_\_\_\_, 2005, Unless Extended**

The Exchange Offer:

- We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.
- You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.
- The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2005, unless extended. We do not currently intend to extend the expiration date.
- The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.
- We will not receive any proceeds from the exchange offer.

The Exchange Notes:

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

Resales of Exchange Notes:

- The exchange notes may be sold in the over-the counter market, in negotiated transactions or through a combination of such methods. We do not plan to list the exchange notes on a national market.

**You should consider carefully the "Risk Factors" beginning on page 11 of this prospectus before participating in the exchange offer.**

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. The letter of transmittal states that, by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933.

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

We have agreed that, for a period of up to 180 days after the consummation of this exchange offer, we will use our best efforts to make this prospectus available to any broker-dealer for use in connection with the resale of exchange notes. See "Plan of Distribution."

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offer or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**



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**The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in our affairs or that of our subsidiaries since the date hereof.**

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In this prospectus and except as the context otherwise requires or indicates:

- "Issuer" or "K. Hovnanian" means K. Hovnanian Enterprises, Inc., a California corporation; and
- "Hovnanian," "us," "we," "our" or "Company" means Hovnanian Enterprises, Inc., a Delaware corporation, together with its consolidated subsidiaries, including K. Hovnanian.

### FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" including, in particular, the statements about our plans, strategies and prospects. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although we believe that our plans, intentions and expectations reflected in, or suggested by such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and business conditions, (2) weather conditions, (3) changes in market conditions, (4) changes in home prices and sales activities in the markets where we build homes, (5) government regulation, including regulations concerning development of land, the homebuilding process and the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in and price fluctuations of raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to the Company, (11) utility shortages and outages or rate fluctuations, (12) geopolitical risks, terrorist acts and other acts of war and (13) other factors described in detail in Hovnanian's Form 10-K for the year ended October 31, 2004. All forward-looking statements attributable to the Company or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this prospectus.

## PROSPECTUS SUMMARY

*The following summary contains information about Hovnanian and the exchange offer. It does not contain all of the information that may be important to you in making a decision to participate in the exchange offer. For a more complete understanding of Hovnanian and the exchange offer, we urge you to read this prospectus carefully, including the "Risk Factors" section and our financial statements and the notes to those statements incorporated by reference herein.*

### **The Company**

We design, construct, market and sell single-family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill and active adult homes in planned residential developments and are one of the nation's largest builders of residential homes. Originally founded in 1959 by Kevork Hovnanian, Hovnanian Enterprises, Inc. was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of our predecessor company, we have delivered in excess of 192,000 homes, including 7,014 homes in the six months ended April 30, 2005. The Company consists of two operating groups: homebuilding and financial services. Our financial services group provides mortgage loans and title services to our homebuilding customers.

We are currently offering homes for sale in 323 communities in 35 markets in 17 states throughout the United States. We primarily market and build homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$46,000 to \$1,350,000 with an average sales price, including options, of \$280,000 in fiscal 2004.

Our operations span all significant aspects of the home-buying process—from design, construction and sale, to mortgage origination and title services.

The following is a summary of our growth history:

1959—Founded by Kevork Hovnanian as a New Jersey homebuilder.

1983—Completed initial public offering.

1986—Entered the North Carolina market through the investment in New Fortis Homes.

1992—Entered the greater Washington D.C. market.

1994—Entered the Coastal Southern California market.

1998—Expanded in the greater Washington D.C. market through the acquisition of P.C. Homes.

1999—Entered the Dallas, Texas market through our acquisition of Goodman Homes. Further diversified and strengthened our position as New Jersey's largest homebuilder through the acquisition of Matzel & Mumford.

2001—Continued expansion in the greater Washington D.C. and North Carolina markets through the acquisition of Washington Homes. This acquisition further strengthened our operations in each of these markets.

2002—Entered the Central Valley market in Northern California and Inland Empire region of Southern California through the acquisition of Forecast Homes.

2003—Expanded operations in Texas and entered the Houston market through the acquisition of Parkside Homes and Brighton Homes. Entered the greater Ohio market through our acquisition of Summit Homes and entered the greater metro Phoenix market through our acquisition of Great Western Homes.

2004—In November 2003, we entered the greater Tampa, Florida market through the acquisition of Windward Homes, and in March 2004, we started a new division in the Minneapolis/St. Paul, Minnesota market.

Hovnanian markets and builds homes that are constructed on-site in four regions which include 23 of the nation's top 50 housing markets. These four regions are the Northeast, Southeast, Southwest, and West.

Our geographic breakdown of markets by region is:

Northeast: New Jersey, Southern New York, Pennsylvania, Ohio, Michigan, Illinois and Minnesota

Southeast: Delaware, Maryland, North Carolina, South Carolina, Virginia, Washington D.C., West Virginia and Florida

Southwest: Arizona and Texas

West: California

We employed approximately 3,837 full-time associates as of October 31, 2004.

Our Corporate offices are located at 10 Highway 35, P. O. Box 500, Red Bank, New Jersey 07701, our telephone number is (732) 747-7800, and our Internet website address is [www.khov.com](http://www.khov.com). Information on our website is not a part of, or incorporated by reference in, this prospectus.

### **Recent Developments**

On March 1, 2005, we announced the purchase of Cambridge Homes, a privately held Orlando homebuilder and provider of related financial services, headquartered in Altamonte Springs, Florida. On March 2, 2005, we announced the acquisition of the operations of Town & Country Homes, a privately held homebuilder and land developer headquartered in Lombard, Illinois, which occurred concurrently with our entering into a joint venture to own and develop Town & Country's existing residential communities. Cambridge Homes operates in Florida and Town & Country operates in Illinois, Minnesota and Florida. On August 3, 2005, we announced the acquisition of substantially all of the homebuilding assets of Oster Homes, a privately held Ohio homebuilder, headquartered in Lorain, Ohio. On August 8, 2005, we announced the acquisition of substantially all of the assets of First Home Builders of Florida, a privately held homebuilder and provider of related financial services, headquartered in Cape Coral, Florida.

On June 14, 2005, we entered into an amended and restated revolving credit agreement, which replaced our prior revolving credit agreement, increased the revolving credit line from \$900 million to \$1.2 billion and extended the maturity through July 2009. The terms of the amended and restated facility are substantially similar to the terms of the facility it replaced.

On July 12, 2005, we sold 5,600,000 depositary shares, each representing 1/1,000th of a share of our 7.625% Series A Preferred Stock (liquidation preference \$25,000.00 per share), par value \$.01 per share. The net proceeds from the offering were used to repay amounts outstanding under our revolving credit facility.

## Summary of the Terms of the Exchange Offer

On August 8, 2005, K. Hovnanian completed a private offering of the outstanding notes. References to the "notes" in this prospectus are references to both the outstanding notes and the exchange notes offered hereby.

|                    |  |
|--------------------|--|
| General            | <p>In connection with the private offering of the outstanding notes, we entered into a registration rights agreement with the initial purchasers of the outstanding notes in which the Issuer and the guarantors agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the outstanding notes within the time period specified in the registration rights agreement. See "Exchange Offer; Registration Rights."</p> <p>You are entitled to exchange in the exchange offer your outstanding notes for exchange notes, which are identical in all material respects to the outstanding notes except:</p> <ul style="list-style-type: none"><li>• the exchange notes have been registered under the Securities Act of 1933, as amended, which we refer to as the "Securities Act";</li><li>• the exchange notes are not entitled to certain registration rights which are applicable to the outstanding notes under the registration rights agreement; and</li><li>• certain additional interest rate provisions are no longer applicable.</li></ul> |
| Outstanding Notes  | <p>\$300,000,000 aggregate principal amount of 6.25% Senior Notes due 2016, which were issued on August 8, 2005, and which we refer to in this prospectus as the "outstanding notes."</p>  |
| Exchange Notes     | <p>\$300,000,000 aggregate principal amount of 6.25% Senior Notes due 2016, which we are offering in this exchange offer and which we refer to in this prospectus as the "exchange notes."</p>   |
| The Exchange Offer | <p>We are offering to exchange up to \$300,000,000 aggregate principal amount of our exchange notes, which have been registered under the Securities Act, for a like aggregate principal amount of the outstanding notes. You may only exchange outstanding notes in integral multiples of \$1,000.</p> <p>Subject to the satisfaction or waiver of specified conditions, we will exchange the exchange notes for all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer. We will cause the exchange to be effected promptly after the expiration of the exchange offer.</p> <p>Upon completion of the exchange offer, there may be no market for the outstanding notes and you may have difficulty selling them.</p>   |

|                 |  |
|-----------------|--|
| Resales         | <p>Based on interpretations by the staff of the Securities and Exchange Commission, or the "SEC," set forth in no-action letters issued to third parties referred to below, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act, if:</p> <ol style="list-style-type: none"> <li>(1) you are not an "affiliate" of K. Hovnanian or any guarantor of the notes within the meaning of Rule 405 under the Securities Act;</li> <li>(2) you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and</li> <li>(3) you are acquiring the exchange notes in the ordinary course of your business.</li> </ol> <p>If you are an affiliate of K. Hovnanian or the guarantors of the notes, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes, or are not acquiring the exchange notes in the ordinary course of your business:</p> <ol style="list-style-type: none"> <li>(1) you cannot rely on the position of the staff of the SEC enunciated in <i>Morgan Stanley &amp; Co., Inc.</i> (available June 5, 1991), <i>Exxon Capital Holdings Corporation</i> (available May 13, 1988), as interpreted in the SEC's letter to <i>Shearman &amp; Sterling</i> (available July 2, 1993), or similar no-action letters; and</li> <li>(2) in the absence of an exception from the position of the SEC stated in (1) above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale or other transfer of the exchange notes.</li> </ol> <p>If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of the exchange notes that you receive in the exchange offer. See "Plan of Distribution."</p> |
| Expiration Date | <p>The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2005 unless extended by us. We do not currently intend to extend the expiration date.</p>  |
| Withdrawal      | <p>You may withdraw the tender of your outstanding notes at any time prior to the expiration date. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.</p>  |

Interest on the Exchange Notes and the Outstanding Notes

Each exchange note will bear interest at the rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from August 8, 2005. The interest will be payable semi-annually on each January 15 and July 15, beginning January 15, 2006. No interest will be paid on outstanding notes following their acceptance for exchange.

Conditions to the Exchange Offer

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

Procedures for Tendering Outstanding Notes

If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold outstanding notes through The Depository Trust Company, or "DTC," and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

- (1) you are not an "affiliate" of K. Hovnanian or the guarantors of the notes within the meaning of Rule 405 under the Securities Act;
- (2) you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes;
- (3) you are acquiring the exchange notes in the ordinary course of your business; and
- (4) if you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, that you will deliver a prospectus, as required by law, in connection with any resale or other transfer of such exchange notes.



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

#### Special Procedures for Beneficial Owners

If you are a beneficial owner of outstanding notes that are held in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those outstanding notes in the exchange offer, you should contact such person promptly and instruct such person to tender those outstanding notes on your behalf.

#### Guaranteed Delivery Procedures

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

#### Effect on Holders of Outstanding Notes

In connection with the sale of the outstanding notes, we entered into a registration rights agreement with the initial purchasers of the outstanding notes, which grants the holders of outstanding notes registration rights. By making this exchange offer, we will have fulfilled most of our obligations under the registration rights agreement. Accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except we will not have any further obligation to you to provide for the registration of the outstanding notes under the registration rights agreement and we will not be obligated to pay additional interest as described in the registration rights agreement, except in certain limited circumstances. See "Exchange Offer; Registration Rights."

To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding notes could be adversely affected.

Consequences of Failure to Exchange

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

Certain Income Tax Considerations

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See "United States Federal Income Tax Consequences of the Exchange Offer."

Use of Proceeds

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

Exchange Agent

Wachovia Bank, National Association, whose address and telephone number is set forth in the section captioned "The Exchange Offer—Exchange Agent" of this prospectus, is the exchange agent for the exchange offer.

## Summary of the Terms of the Exchange Notes

The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be governed by the same indenture under which the outstanding notes were issued and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture.

|                        |  |
|------------------------|--|
| Issuer                 | K. Hovnanian Enterprises, Inc.   |
| Notes Offered          | We are offering \$300.0 million aggregate principal amount of 6.25% Senior Notes due 2016.   |
| Maturity Date          | January 15, 2016.  |
| Interest Payment Dates | Each January 15 and July 15, beginning January 15, 2006.   |
| Optional Redemption    | We may redeem the notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption, if any, plus a Make-Whole Amount. See "Description of the Notes—Redemption."   |
| Change of Control      | Upon a change of control as described in the section "Description of the Notes," you will have the right to require us to purchase some or all of the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of the notes.   |
| Guarantees             | The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make the payments instead. As of the date of this prospectus, our title insurance and home mortgage subsidiaries and certain joint ventures are not guarantors or restricted subsidiaries.  |
| Ranking                | <p>The outstanding notes are, and the exchange notes will be, general obligations and, the outstanding notes are not, and the exchange notes will not be, secured by any collateral. Your right to payment under the notes will be:</p> <ul style="list-style-type: none"><li>effectively junior to the rights of secured creditors, to the extent of their security in our assets;</li><li>equal with the rights of creditors under other existing and future unsecured senior debt, including our revolving credit facility; and</li><li>senior to the rights of creditors under existing and future debt that is expressly subordinated to the notes.</li></ul> |

The guarantee of each of the guarantors of the outstanding notes is not, and, of the exchange notes, will not be, secured by any collateral. Your right to payment under any guarantee will be:

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

See the section "Description of the Notes—Ranking."

At April 30, 2005, after giving effect to the use of proceeds from the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005 and assuming that we had completed the offering of the outstanding notes at that date and assuming application of the net proceeds thereof, the Issuer and the guarantors would have had approximately \$1,563.3 million (\$1,556.4 million net of discount) of debt (including the outstanding notes) outstanding, approximately \$58.1 million of which would have been secured by certain assets of the Company and the guarantors and approximately \$400 million of which would have been subordinated to the outstanding notes.

#### Certain Covenants

The exchange notes will be issued under the same indenture as the outstanding notes were issued. The indenture contains covenants that, among other things, restrict the Issuer's ability and the ability of the guarantors to:

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

For more details, see the section "Description of the Notes—Certain Covenants."

If the notes receive an investment grade rating by both Moody's and Standard & Poor's, then our obligation to comply with certain of the covenants will cease for so long as the notes continue to be rated investment grade. See "Description of the Notes—Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade."

Absence of a Public Market

The exchange notes will generally be freely transferable (subject to certain restrictions discussed in "Exchange Offer; Registration Rights") but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the exchange notes. The initial purchasers in the private offering of the outstanding notes have advised us that they currently intend to make a market for the exchange notes, as permitted by applicable laws and regulations. However, they are not obligated to do so and may discontinue any such market making activities at any time without notice. We do not intend to apply for a listing of the exchange notes on any securities exchange or automated dealer quotation system.

Use of Proceeds

We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. For a description of the use of proceeds from the private offering of the outstanding notes, see "Use of Proceeds."

## RISK FACTORS

*In addition to the other information included in this prospectus and the documents incorporated by reference in this prospectus, you should carefully consider the following risk factors before you decide to participate in the exchange offer.*

### **Risks Related to the Exchange Offer**

***If you choose not to exchange your outstanding notes in the exchange offer, the transfer restrictions currently applicable to your outstanding notes will remain in force and the market price of your outstanding notes could decline.***

If you do not exchange your outstanding notes for exchange notes in the exchange offer, then you will continue to be subject to the transfer restrictions on the outstanding notes as set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. You should refer to "Prospectus Summary—Summary of the Terms of the Exchange Offer" and "The Exchange Offer" for information about how to tender your outstanding notes.

The tender of outstanding notes under the exchange offer will reduce the principal amount of the outstanding notes outstanding, which may have an adverse effect upon, and increase the volatility of, the market price of the outstanding notes due to reduction in liquidity.

***You must follow the exchange offer procedures carefully in order to receive the exchange notes.***

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

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

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

### **Risks Related to Our Business**

***Leverage places burdens on our ability to comply with the terms of our indebtedness, may restrict our ability to operate, may prevent us from fulfilling our obligations and may adversely affect our financial condition.***

We have a significant amount of debt. On a pro forma basis after giving effect to the use of proceeds from the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005 and after giving effect to the offering of the outstanding notes and the application of the net proceeds thereof:

- our debt, as of April 30, 2005, including the debt of the guarantors, would have been \$1,563.3 million (\$1,556.4 million net of discount);

- as of April 30, 2005, under the terms of our amended and restated \$1.2 billion revolving credit agreement dated June 14, 2005, we would have had approximately \$927.5 million of borrowings available (net of approximately \$272.5 million in letters of credit outstanding under the facility) under our revolving credit facility, subject to borrowing conditions, including a borrowing base and covenants; and
- our debt service payments for the 12-month period ended April 30, 2005, which include interest incurred and mandatory principal payments on our corporate debt under the terms of our indentures (but which do not include principal and interest on non-recourse secured debt and debt of our financial subsidiaries), would have been \$98.3 million.

In addition, we have substantial contractual commitments and contingent obligations, including \$272.5 million of performance letters of credit and \$843.8 million of performance bonds as of April 30, 2005. See "Contractual Obligations" in our Annual Report on Form 10-K incorporated by reference herein.

Our amount of debt could have important consequences to you. For example, it could:

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

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

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

The indentures governing the notes and our other outstanding debt and our revolving credit facility impose restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, sales of assets and cash distributions by us and require us to comply with certain financial covenants listed in those indentures and our revolving credit facility. If we fail to comply with any of these restrictions or covenants, the trustees or the banks, as appropriate, could cause our debt to become due and payable prior to maturity.

***The terms of our indentures allow us to incur additional indebtedness.***

Under the terms of our indebtedness under our existing indentures, we have the ability, subject to our debt covenants, to incur additional amounts of debt. The incurrence of additional indebtedness could magnify the risks described above.

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

Market conditions in the housing industry have been strong in recent years. However, the homebuilding industry is cyclical, has from time to time experienced significant difficulties and is significantly affected by changes in general and local economic conditions such as:

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

An oversupply of alternatives to new homes, such as rental properties and used homes, could depress prices and reduce margins for the sale of new homes. We have substantially increased our inventory in 2003, 2004 and 2005, which requires significant cash outlays and could increase our exposure to this risk as the cycle turns.

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

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

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

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

***Raw material and labor shortages and price fluctuations could delay or increase the cost of home construction and adversely affect our operating results.***

The homebuilding industry has from time to time experienced raw material and labor shortages. In particular, shortages and fluctuations in the price of lumber or in other important raw materials could result in delays in the start or completion of, or increase the cost of, developing one or more of our residential communities. In addition, we contract with subcontractors to construct our homes. Therefore, the timing and quality of our construction depends on the availability, skill and cost of our



subcontractors. Delays or cost increases caused by shortages and price fluctuations could harm our operating results, the impact of which may be further affected by our ability to raise sales prices.

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

Land inventory risk can be substantial for homebuilders. We must continuously seek and make acquisitions of land for expansion into new markets and for replacement and expansion of land inventory within our current markets. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. In the case of land options, we could choose not to exercise them, in which case we would write off the value of these options. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

***Home prices and sales activities in the California, New Jersey, Texas, North Carolina, Virginia, Maryland, Florida and Illinois markets have a large impact on our profitability because we conduct a significant portion of our business in these markets.***

We presently conduct a significant portion of our business in the California, New Jersey, Texas, North Carolina, Virginia, Maryland, Florida and Illinois markets. Home prices and sales activities in these markets, including in some of the markets in which we operate, have declined from time to time, particularly as a result of slow economic growth. Furthermore, precarious economic and budget situations at the state government level may adversely affect the market for our homes in those affected areas. If home prices and sales activity decline in one or more of the markets in which we operate, our costs may not decline at all or at the same rate and profits may be reduced.

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

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

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

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

We are subject to extensive and complex regulations that affect the development and home building, sales and customer financing processes, including zoning, density, building standards and

mortgage financing. These regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or home building.

We also are subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment. The particular environmental laws which apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause us to incur substantial compliance, remediation, and/or other costs, and can prohibit or severely restrict development and homebuilding activity in certain environmentally sensitive regions or areas.

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

Our sales process is subject to the jurisdiction of the U.S. Department of Housing and Urban Development ("HUD"). In connection with the Real Estate Settlement Procedures Act, HUD has recently inquired about our process of referring business to our affiliated mortgage company. We are currently in the process of responding to HUD's inquiry.

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

We compete not only for home buyers but also for desirable properties, financing, raw materials and skilled labor often within larger subdivisions designed, planned and developed by other homebuilders. Our competitors include other local regional and national homebuilders, some of which have greater sales and financial resources.

The competitive conditions in the homebuilding industry could result in:

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

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

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

Our operations require significant amounts of cash, and we will be required to seek additional capital, whether from sales of equity or borrowing more money, for the future growth and development of our business. The terms or availability of additional capital is uncertain. Moreover, the indenture governing the notes and the indentures for our other outstanding debt contain provisions that may restrict the debt we may incur in the future. If we are not successful in obtaining sufficient capital, it could reduce our sales and may hinder our future growth and results of operations.

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

Acquisitions have contributed to our growth and are a component of our growth strategy. In March 2005, we announced the Cambridge Homes and Town & Country Homes acquisitions and in

August 2005, we announced the Oster Homes and First Home Builders of Florida acquisitions. Consistent with this strategy, we continue to engage in discussions with and evaluate potential acquisition targets, some of which may be significant, although we currently have no binding definitive agreements for any significant acquisitions. In the future, we may acquire other businesses. As a result of these acquisitions, we may need to seek additional financing and integrate product lines, dispersed operations and distinct corporate cultures. These integration efforts may not succeed or may distract our management from operating our existing business. Additionally, we may not be able to enhance our earnings as a result of acquisitions. Our failure to successfully manage future acquisitions could harm our operating results.

***Utility shortages and outages or rate fluctuations could have an adverse effect on our operations.***

In prior years, the areas in which we operate in California have experienced power shortages, including periods without electrical power, as well as significant fluctuations in utility costs. We may incur additional costs and may not be able to complete construction on a timely basis if such power shortages/outages and utility rate fluctuations continue. Furthermore, power shortages and outages, such as the blackout that occurred in 2003 in the Northeast, and rate fluctuations may adversely affect the regional economies in which we operate, which may reduce demand for our homes. Our operations may be adversely affected if further rate fluctuations and/or power shortages and outages occur in California, the Northeast or in our other markets.

***Geopolitical risks and market disruption could adversely affect our operating results and financial condition.***

Geopolitical events, such as the aftermath of the war with Iraq and the continuing involvement in Iraq, may have a substantial impact on the economy and the housing market. The terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 had an impact on our business and the occurrence of similar events in the future cannot be ruled out. The war and the continuing involvement in Iraq, terrorism and related geopolitical risks have created many economic and political uncertainties, some of which may have additional material adverse effects on the U.S. economy, our customers and, in turn, our results of operations and financial condition.

**Risks Related to the Notes**

***After completion of this offering, we will have a significant amount of indebtedness and we may incur additional indebtedness.***

At April 30, 2005, assuming we had completed the offering of the outstanding notes at that date and on a pro forma basis for the application of the net proceeds thereof and after giving effect to the use of proceeds from the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005, the Issuer and the guarantors would have had approximately \$1,563.3 million (\$1,556.4 million net of discount) of debt (including the outstanding notes) outstanding. We and our subsidiaries may incur additional indebtedness in the future. Subject to certain conditions, the terms of the indenture under which the outstanding notes were, and the exchange notes will be, issued and our other existing debt instruments do not prohibit us or our subsidiaries from incurring additional indebtedness. If indebtedness is added to our current debt levels, the risks related to the notes and our indebtedness generally that we and our subsidiaries now face could intensify.

***The notes are unsecured obligations.***

The outstanding notes are not, and the exchange notes will not be, secured by any of our assets, and the outstanding notes are, and the exchanges notes will be, subordinated to any of our existing and future secured indebtedness. Accordingly, in the event of our bankruptcy, liquidation or any similar proceeding, holders of the notes will be entitled to payment only after the holders of any of our

secured indebtedness have been paid. As of April 30, 2005, assuming we had completed the offering of the outstanding notes at that date and on a pro forma basis for the application of the net proceeds thereof and after giving effect to the use of proceeds from the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005, we would have had approximately \$58.1 million of secured indebtedness outstanding. Subject to certain limits in the indenture under which the outstanding notes were, and the exchange notes will be, issued and our other existing debt instruments, we will be able to incur additional secured obligations.

***The notes will be structurally junior to indebtedness of our non-guarantor subsidiaries.***

You will not have any claim as a creditor against any of our non-guarantor subsidiaries, and indebtedness and other liabilities, including trade payables, of those subsidiaries will effectively be senior to your claims against those subsidiaries. At April 30, 2005, our non-guarantor subsidiaries had \$158.7 million of outstanding liabilities, including trade payables. In addition, the indenture under which the outstanding notes were, and the exchange notes will be, issued will, subject to certain limitations, permit these subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

***Exercise of Change of Control Rights—We may not have the ability to raise funds necessary to finance any change of control offer required by the indenture.***

If a change of control occurs as described in the section "Description of the Notes—Certain Covenants," we would be required to offer to purchase your notes at 101% of their principal amount together with all accrued and unpaid interest, if any, to the date of purchase. If a purchase offer obligation arises under the indenture governing your notes, a change of control will have also occurred under other indentures governing our debt. Our revolving credit facility currently provides that certain change of control events will constitute a default and could result in the acceleration of the indebtedness outstanding thereunder. Any of our future debt agreements may contain similar restrictions and provisions. If a purchase offer were required under the indentures for our debt, we may not have sufficient funds to pay the purchase price for all debt that we are required to repurchase or repay. After giving effect to the offering of the outstanding notes, we do not have sufficient funds available to purchase all of such outstanding debt.

***An active trading market may not develop for the exchange notes.***

We are offering the exchange notes to the holders of the outstanding notes. The exchange notes are a new issue of securities. There is no active public trading market for the exchange notes. We do not intend to apply for listing of the exchange notes on a security exchange. The initial purchasers of the outstanding notes have informed us that they intend to make a market in the exchange notes. However, the initial purchasers may cease their market-making at any time. We cannot assure you that an active trading market will develop for the exchange notes or that the exchange notes will trade as one class with the outstanding notes. In addition, the liquidity of the trading market in the exchange notes and the market prices quoted for the exchange notes may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, an active trading market may not develop for your exchange notes, you may not be able to sell your exchange notes, or, even if you can sell your exchange notes, you may not be able to sell them at an acceptable price.

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

Although you will be direct creditors of the guarantors by virtue of the guarantees, existing or future creditors of any guarantor could avoid or subordinate that guarantor's guarantee under the fraudulent conveyance laws if they were successful in establishing that:

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

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

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

We cannot assure you as to what standard a court would apply in order to determine whether a guarantor was "insolvent" as of the date its guarantee was issued, and we cannot assure you that, regardless of the method of valuation, a court would not determine that any guarantors were insolvent on that date. The subsidiary guarantees could be subject to the claim that, since the guarantees were incurred for the benefit of Hovnanian and the Issuer, and only indirectly for the benefit of the other guarantors, the obligations of the guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration.

## RATIO OF EARNINGS TO FIXED CHARGES

For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes, plus fixed charges, less interest capitalized. Fixed charges consist of all interest incurred plus the amortization of debt issuance costs and bond discounts.

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

|                                    | Six Months Ended<br>April 30, 2005 | Year Ended October 31, |      |      |      |      |
|------------------------------------|------------------------------------|------------------------|------|------|------|------|
|                                    |                                    | 2004                   | 2003 | 2002 | 2001 | 2000 |
| Ratio of earnings to fixed charges | 7.3                                | 6.3                    | 6.7  | 4.7  | 3.1  | 2.1  |

## USE OF PROCEEDS

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

The net proceeds from the private offering of the outstanding notes were used to repay amounts outstanding under our revolving credit facility as of August 8, 2005 and for general corporate purposes, including acquisitions. The revolving credit facility is used for general corporate purposes, including acquisitions, and amounts repaid will be available for re-borrowing for such purposes. Our revolving credit facility provides a revolving credit line through July 2009 and has an interest rate equal to an applicable margin that varies based on our leverage, plus a floating rate set, at our option, at either a rate equal to (1) the higher of the prime rate, or the federal funds rate plus 0.50%, or (2) LIBOR for one, two, three or six months. At July 31, 2005, the outstanding balance of \$43.1 million under the revolving credit facility was bearing interest at 6.25%.

## CAPITALIZATION

The following table sets forth our capitalization as of April 30, 2005 and on an as adjusted basis to give effect to the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005 and the sale of the outstanding notes and the application of the net proceeds thereof. This table should be read in conjunction with our consolidated financial statements and the related notes thereto and the other financial information included and incorporated by reference in this prospectus.

|   | As of<br>April 30, 2005 |                     |
|---|-------------------------|---------------------|
|   | Actual                  | As<br>Adjusted      |
|   | (unaudited)             |                     |
|   | (In thousands)          |                     |
| <b>Debt (1):</b>  |                         |                     |
| Revolving Credit Facility (2)   | \$ 105,100              | \$ —                |
| Nonrecourse Land Mortgages  | 33,419                  | 33,419              |
| Nonrecourse Mortgages Secured by Operating Property   | 24,650                  | 24,650              |
| 10 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2007  | 138,703                 | 138,703             |
| 8% Senior Notes due 2012  | 99,343                  | 99,343              |
| 6 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2014   | 215,000                 | 215,000             |
| 6 <sup>3</sup> / <sub>8</sub> % Senior Notes due 2014   | 150,000                 | 150,000             |
| 6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015   | 200,000                 | 200,000             |
| 6.25% Senior Notes due 2016   | —                       | 295,287             |
| 6% Senior Subordinated Notes due 2010   | 100,000                 | 100,000             |
| 8 <sup>7</sup> / <sub>8</sub> % Senior Subordinated Notes due 2012  | 150,000                 | 150,000             |
| 7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2013  | 150,000                 | 150,000             |
|   | \$ 1,366,215            | \$ 1,556,402        |
| <b>Stockholders' Equity:</b>  |                         |                     |
| Preferred Stock, \$.01 par value; 100,000 Shares Authorized; Actual None Issued and as Adjusted 5,600 Issued  | \$ —                    | \$ —                |
| Common Stock, Class A, \$.01 par value; 200,000,000 Shares Authorized; 57,421,990 Issued (Including 10,695,656 Held in Treasury)                                      | 574                     | 574                 |
| Common Stock, Class B, \$.01 par value (Convertible to Class A at Time of Sale); 30,000,000 Shares Authorized; 15,373,497 Issued (Including 691,748 Held in Treasury) | 154                     | 154                 |
| Paid in Capital   | 205,197                 | 341,012             |
| Retained Earnings   | 1,241,481               | 1,241,481           |
| Deferred Compensation   | (9,093)                 | (9,093)             |
| Treasury Stock — at Cost  | (65,984)                | (65,984)            |
|   | \$ 1,372,329            | \$ 1,508,144        |
| <b>Total Stockholders' Equity</b>   | <b>\$ 1,372,329</b>     | <b>\$ 1,508,144</b> |
| <b>Total Capitalization</b>   | <b>\$ 2,738,544</b>     | <b>\$ 3,064,546</b> |

- (1) References to our consolidated debt in this prospectus exclude debt under our mortgage warehouse line and bonds collateralized by mortgages receivable.
- (2) On June 14, 2005, we entered into an amended and restated revolving credit agreement, which provides for \$1.2 billion of borrowings, subject to customary borrowing conditions, including a borrowing base. As of July 31, 2005, we had \$43.1 million outstanding under our revolving credit facility.



**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following selected historical consolidated financial data for each of the fiscal years ended October 31, 2004, 2003, 2002, 2001 and 2000 have been derived from the audited consolidated financial statements of Hovnanian Enterprises, Inc.

The following selected historical consolidated financial data for the six month periods ended April 30, 2005 and 2004 have been derived from the unaudited condensed consolidated financial statements of Hovnanian Enterprises, Inc. The unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals and deferrals, which management considers necessary for a fair presentation of the consolidated financial position and the results of operations for these periods. Operating results for the six month period ended April 30, 2005 are not necessarily indicative of the results that may be expected for the entire year ending October 31, 2005. Per common share data and weighted average number of common shares outstanding reflect all stock splits.

You should read the following data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2004, which is incorporated by reference herein, for the impact of our 2004, 2003, 2002 and 2001 acquisitions on our operating results, and with the consolidated financial statements, related notes, and other financial information incorporated by reference herein.

|  | Six Months Ended<br>April 30,                 |              | Year Ended October 31, |              |              |              |              |
|--|---|--------------|------------------------|--------------|--------------|--------------|--------------|
|  | 2005  | 2004         | 2004                   | 2003         | 2002         | 2001         | 2000         |
|  | (unaudited)                                   |              |                        |              |              |              |              |
|  | (Dollars in thousands, except per share data) |              |                        |              |              |              |              |
| <b>Income Statement Data</b>   |   |              |                        |              |              |              |              |
| Revenues   | \$ 2,272,605                                  | \$ 1,694,023 | \$ 4,160,403           | \$ 3,201,857 | \$ 2,551,106 | \$ 1,741,990 | \$ 1,135,559 |
| Expenses   | 1,996,172                                     | 1,489,171    | 3,610,631              | 2,790,339    | 2,325,376    | 1,635,636    | 1,083,741    |
| Income before income taxes   | 306,433                                       | 204,852      | 549,772                | 411,518      | 225,730      | 106,354      | 51,818       |
| State and federal income taxes                                       | 118,815                                       | 76,669       | 201,091                | 154,138      | 88,034       | 42,668       | 18,655       |
| Net Income   | \$ 187,618                                    | \$ 128,183   | \$ 348,681             | \$ 257,380   | \$ 137,696   | \$ 63,686    | \$ 33,163    |
| <b>Per Share Data</b>  |   |              |                        |              |              |              |              |
| Basic:   |   |              |                        |              |              |              |              |
| Net Income   | \$ 3.01                                       | \$ 2.05      | \$ 5.63                | \$ 4.16      | \$ 2.26      | \$ 1.19      | \$ 0.76      |
| Weighted average number of common shares outstanding                 | 62,237  | 62,473       | 61,892                 | 61,920       | 60,810       | 53,620       | 43,866       |
| Assuming Dilution:   |   |              |                        |              |              |              |              |
| Net Income   | \$ 2.87                                       | \$ 1.93      | \$ 5.35                | \$ 3.93      | \$ 2.14      | \$ 1.15      | \$ 0.75      |
| Weighted average number of common shares outstanding                 | 65,459  | 66,393       | 65,133                 | 65,538       | 64,310       | 55,584       | 44,086       |
| <b>Balance sheet data</b>  |   |              |                        |              |              |              |              |
| Total assets   | \$ 3,574,539                                  | \$ 2,835,304 | \$ 3,156,267           | \$ 2,332,371 | \$ 1,678,128 | \$ 1,064,258 | \$ 873,541   |
| Mortgages, term loans, revolving credit agreements and notes payable | \$ 287,495                                    | \$ 141,306   | \$ 354,055             | \$ 326,216   | \$ 215,365   | \$ 111,795   | \$ 78,206    |
| Senior notes and senior subordinated notes                           | \$ 1,203,046                                  | \$ 1,052,444 | \$ 902,737             | \$ 687,166   | \$ 546,390   | \$ 396,544   | \$ 396,430   |
| Stockholders' equity   | \$ 1,372,329                                  | \$ 970,185   | \$ 1,192,394           | \$ 819,712   | \$ 562,549   | \$ 375,646   | \$ 263,359   |

## THE EXCHANGE OFFER

### General

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

As of the date of this prospectus, \$300,000,000 aggregate principal amount of the outstanding notes is outstanding. This prospectus, together with the letter of transmittal, is first being sent to all holders of outstanding notes known to us on or about [redacted], 2005. K. Hovnanian's obligation to accept outstanding notes for exchange pursuant to the exchange offer is subject to certain conditions set forth under "—Conditions to the Exchange Offer" below. K. Hovnanian currently expects that each of the conditions will be satisfied and that no waivers will be necessary.

### Purpose and Effect of the Exchange Offer

We entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we agreed, under certain circumstances, to file a registration statement relating to an offer to exchange the outstanding notes for exchange notes by November 6, 2005. We also agreed to use our reasonable best efforts to cause such offer to be consummated on the earliest practicable date after the registration statement has become effective but in no event later than 40 business days thereafter. The exchange notes will have terms substantially identical to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The outstanding notes were issued on August 8, 2005.

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

- if applicable law or interpretations of the staff of the SEC do not permit K. Hovnanian and the guarantors to effect this exchange offer after we have sought a no-action letter or other favorable decision from the SEC and after we have taken all such other actions as may be requested by the SEC or otherwise required in connection with such decision; and
- if any holder of the outstanding notes notifies us within 20 business days following the consummation deadline of the exchange offer that:
  - based on an opinion of counsel, such holder was prohibited by law or SEC policy from participating in the exchange offer; or
  - such holder is a broker-dealer and holds the outstanding notes acquired directly from us or our affiliates.

If we fail to comply with certain obligations under the registration rights agreement, we will be required to pay additional interest to holders of the outstanding notes and the exchange notes required to be registered on a shelf registration statement. Please read the section "Exchange Offer; Registration Rights" for more details regarding the registration rights agreement.

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

- such holder is not an affiliate of K. Hovnanian or the guarantors within the meaning of Rule 405 of the Securities Act, or, if it is an affiliate, it will comply with all applicable registration and prospectus delivery requirements of the Securities Act;
- such holder is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution (within the meaning of the Securities Act) of the exchange notes in violation of the provisions of the Securities Act; and
- such holder is acquiring the exchange notes in the ordinary course of its business.

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

#### **Resale of Exchange Notes**

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

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

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

- you cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters; and
- in the absence of an exception from the position stated immediately above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

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

## Terms of the Exchange Offer

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

The form and terms of the exchange notes will be substantially identical to the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act and will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be issued under and entitled to the benefits of the same indenture under which the outstanding notes were issued and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture. For a description of the indenture, see "Description of the Notes."

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

As of the date of this prospectus, \$300,000,000 aggregate principal amount of the outstanding notes is outstanding. This prospectus and a letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits that such holders have under the indenture relating to such holders' outstanding notes, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.

We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to holders. Subject to the terms of the registration rights agreement, we expressly reserve the right to amend or terminate the exchange offer and to refuse to accept outstanding notes not previously accepted upon the occurrence of any of the conditions specified below under "—Conditions to the Exchange Offer."

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

## Expiration Date; Extensions, Amendments

As used in this prospectus, the term "expiration date" means 5:00 p.m., New York City time, on \_\_\_\_\_, 2005. However, if we, in our sole discretion, extend the period of time for which the exchange offer is open, the term "expiration date" will mean the latest time and date to which we shall have extended the expiration of the exchange offer.

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

We reserve the right, in our sole discretion:

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

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

### **Conditions to the Exchange Offer**

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

- the exchange offer, or the making of any exchange by a holder of outstanding notes, violates any applicable law or interpretation of the staff of the SEC;
- any action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair our ability to proceed with the exchange offer, and any material adverse development shall have occurred in any existing action or proceeding with respect to us; or
- all governmental approvals shall not have been obtained, which approvals we deem necessary for the consummation of the exchange offer.

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

- the representations described under "—Purpose and Effect of the Exchange Offer" and "—Procedures for Tendering"; and
- any other representations as may be reasonably necessary under applicable SEC rules, regulations, or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

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

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

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

### **Procedures for Tendering**

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

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

In addition, either:

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

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

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

The method of delivery of outstanding notes, letter of transmittal, and all other required documents to the exchange agent is at the holder's election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. Holders should not send letters of transmittal or certificates representing outstanding notes to us. Holders may request that their respective brokers, dealers, commercial banks, trust companies or other nominees effect the above transactions for them.

If you are a beneficial owner whose outstanding notes are held in the name of a broker, dealer, commercial bank, trust company, or other nominee and you wish to participate in the exchange offer, you should promptly contact such party and instruct such person to tender outstanding notes on your behalf.

You must make these arrangements or follow these procedures before completing and executing the letter of transmittal and delivering your outstanding notes.

Signatures on the letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the NASD, a commercial bank or trust company having an office or correspondent in the United States or another "Eligible Guarantor Institution" within the meaning of Rule 17Ad-15 under the Exchange Act unless the outstanding notes surrendered for exchange are tendered:

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

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

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

### **Book-Entry Delivery Procedures**

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

### **Tender of Outstanding Notes Held Through The Depository Trust Company**

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance of the exchange offer by causing DTC to transfer the outstanding notes to the exchange agent in accordance with DTC's Automated Tender

Offer Program procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, which states that:

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

### Acceptance of Exchange Notes

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

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

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

- the holder is not an affiliate of K. Hovnanian or the guarantors within the meaning of Rule 405 of the Securities Act;
- the holder is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and
- the holder is acquiring the exchange notes in the ordinary course of its business.

If the holder is an affiliate of K. Hovnanian or any guarantor, or is engaging in, or intends to engage in, or has any arrangement or understanding with any person to participate in, a distribution of the exchange notes, or is not acquiring the exchange notes in the ordinary course of its business:

- the holder cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters; and
- in the absence of an exception from the position stated immediately above, the holder must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

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



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

Unless waived, any defects or irregularities in connection with tenders of outstanding notes for exchange must be cured within a reasonable period of time as we determine. Neither we, the exchange agent, nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of them incur any liability for any failure to give notification. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, without cost to the holder, unless otherwise provided in the letter of transmittal, as soon as practicable after the expiration date.

### **Guaranteed Delivery Procedures**

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

- the tender is made through an Eligible Guarantor Institution;
- prior to the expiration date, the exchange agent receives from such Eligible Guarantor Institution either (i) a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or (ii) a properly transmitted agent's message and notice of guaranteed delivery:
  - setting forth the name and address of the holder, the registered number(s) of such outstanding notes and the principal amount of outstanding notes tendered;
  - stating that the tender is being made thereby;
  - guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal, or facsimile thereof, together with the outstanding notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the Eligible Guarantor Institution with the exchange agent; and
- the exchange agent receives the properly completed and executed letter of transmittal or facsimile thereof, as well as certificate(s) representing all tendered outstanding notes in proper form for transfer or a book-entry confirmation of transfer of the outstanding notes into the exchange agent's account at DTC, and all other documents required by the letter of transmittal within three New York Stock Exchange trading days after the expiration date.

### **Withdrawal Rights**

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

For a withdrawal to be effective:

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

Any notice of withdrawal must:

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

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

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

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

#### **Exchange Agent**

Wachovia Bank, National Association has been appointed as the exchange agent for the exchange offer. Wachovia Bank, National Association also acts as trustee under the indenture governing the outstanding notes, which is the same indenture that will govern the exchange notes. You should direct all executed letters of transmittal and all questions and requests for assistance, for additional copies of

this prospectus or the letter of transmittal, or for notices of guaranteed delivery to the exchange agent addressed as follows:

Delivery to: Wachovia Bank, National Association, Exchange Agent

*By Mail:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.—3C3  
Charlotte, NC 28262-8522

*By Overnight Mail or Courier  
Delivery:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.—3C3  
Charlotte, NC 28262-8522

*By Hand:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.—3C3  
Charlotte, NC 28262-8522

*By Facsimile Transmission:*  
(704) 590-7628

*Confirm by Telephone:*  
(704) 590-7413

*For Information:*  
(704) 590-7413

IF YOU DELIVER THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMIT INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, THAT DELIVERY OR THOSE INSTRUCTIONS WILL NOT BE EFFECTIVE.

#### **Fees and Expenses**

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

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

We will pay the estimated cash expenses to be incurred in connection with the exchange offer. The expenses are estimated in the aggregate to be approximately \$190,000. They include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

#### **Accounting Treatment**

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

## Transfer Taxes

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

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

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

Holders who tender their outstanding notes for exchange will not be required to pay any transfer taxes. However, holders who instruct us to register exchange notes in the name of, or request that outstanding notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer tax.

## Consequences of Failure to Exchange

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

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

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

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

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

- cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as

interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters; and

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

#### **Other**

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

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

## DESCRIPTION OF THE NOTES

In this section, references to the "**Company**" mean Hovnanian Enterprises, Inc., a Delaware corporation, and do not include any of its subsidiaries or K. Hovnanian Enterprises, Inc., a California corporation; references to the "**Issuer**," "**us**," "**we**" or "**our**" mean K. Hovnanian Enterprises, Inc.; and references to the "**Senior Notes**" mean the outstanding notes and the exchange notes, collectively.

The Issuer issued the outstanding notes, and will issue the exchange notes described in this prospectus, under an indenture, dated as of August 8, 2005 (the "**Senior Indenture**"), among the Issuer, the Company, the other guarantors party thereto and Wachovia Bank, National Association, as trustee (the "**Senior Trustee**"). The following is a summary of the material terms and provisions of the Senior Notes. The terms of the Senior Notes include those stated in the Senior Indenture and those made part of the Senior Indenture by reference to the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), as in effect on the date of the Senior Indenture. The Senior Notes are subject to all such terms, and prospective participants in the exchange offer should refer to the Senior Indenture and the Trust Indenture Act for a statement of such terms. The form and terms of the exchange notes and the outstanding notes are identical in all material respects, except that the exchange notes will be registered under the Securities Act and will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement.

This description of the Senior Notes contains definitions of terms, including those defined under the heading "—Definitions of Certain Terms Used in the Senior Indenture." Capitalized terms that are used herein but not otherwise defined herein have the meanings assigned to them in the Senior Indenture.

Any outstanding notes that remain outstanding after consummation of this exchange offer and the exchange notes will constitute a single series of debt securities under the Senior Indenture. Holders of outstanding notes who do not exchange their notes in this exchange offer will vote together with the holders of exchange notes for all relevant purposes under the Senior Indenture. Accordingly, when determining whether the required holders have given notice, consent or waiver or taken any other action permitted under the Senior Indenture, any outstanding notes that are not exchanged pursuant to the exchange offer will be aggregated with the exchange notes. All references herein to specified percentages in aggregate principal amount of Senior Notes outstanding shall be deemed to mean, at any time after this exchange offer is consummated, percentages in aggregate principal amount of outstanding notes and exchange notes outstanding.

### General

The Senior Notes will bear interest from August 8, 2005 at the rate *per annum* shown on the cover page of this prospectus, payable semi-annually on January 15 and July 15 of each year, commencing January 15, 2006, to Holders of record at the close of business on January 1 or July 1, as the case may be, immediately preceding each such interest payment date. The Senior Notes will mature on January 15, 2016, and will be issued in denominations of \$1,000 and integral multiples thereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Senior Indenture does not limit the maximum aggregate principal amount of securities that the Issuer may issue thereunder. The Issuer will issue an aggregate principal amount of \$300.0 million of exchange notes in this offering. The Issuer may issue additional notes of the same series as the outstanding notes and the exchange notes (the "**Additional Senior Notes**") from time to time after the offering. The Senior Notes and any Additional Senior Notes subsequently issued under the Senior Indenture would be treated as a single series for all purposes under the Senior Indenture including, without limitation, waivers, amendments, redemption and offers to purchase. Any offering of Additional Senior Notes under the Senior Indenture is subject to the covenant described below under the caption "—Certain Covenants—Limitations on Indebtedness."

The outstanding notes are, and the exchange notes will be, guaranteed by the Company and each of the Guarantors (together, the "**Guarantors**") pursuant to the Guarantees (the "**Senior Guarantees**") described below.

## **Ranking**

The outstanding notes are, and the exchange notes will be, general unsecured obligations of the Issuer and rank senior in right of payment to all future Indebtedness of the Issuer that is, by its terms, expressly subordinated in right of payment to the Senior Notes and *pari passu* in right of payment with all existing and future unsecured Indebtedness of the Issuer that is not so subordinated. Under specified circumstances, K. Hovnanian may be released from its obligations under the Senior Notes and the Senior Indenture. See "**—Condition for Release of K. Hovnanian.**" The Senior Guarantees of the outstanding notes are, and the Senior Guarantees of the exchange notes will be, general unsecured obligations of the Guarantors and will rank senior in right of payment to all future Indebtedness of the Guarantors that is, by its terms, expressly subordinated in right of payment to the Senior Guarantees and will rank *pari passu* in right of payment with all existing and future unsecured Indebtedness of the Company and the Guarantors that is not so subordinated.

Secured creditors of the Company, the Issuer and the other Guarantors have a claim on the assets which secure the obligations of the Company and the Guarantors to such creditors prior to claims of Holders of the Senior Notes against those assets. At April 30, 2005, assuming we had completed the offering of the outstanding notes and on a pro forma basis to give effect to the use of proceeds from the sale of 5,600 shares of Hovnanian's Series A Preferred Stock on July 12, 2005, and for the application of the estimated net proceeds from the offering of the Notes, the Issuer and the Guarantors would have had approximately \$1,563.3 million (\$1,556.4 million net of discount) (including the outstanding notes) of Indebtedness outstanding, \$58.1 million of which would have been secured by certain assets of the Company and the Guarantors and \$400 million of which would have been subordinated to the Senior Notes.

## **The Senior Guarantees**

The Company and each of the Guarantors will (so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary) unconditionally guarantee on a joint and several basis all of our obligations under the Senior Notes, including our obligations to pay principal, premium, if any, and interest with respect to the Senior Notes. The Senior Guarantees will be general unsecured obligations of the Company and the Guarantors and will rank *pari passu* with all existing and future unsecured Indebtedness of the Guarantors that is not, by its terms, expressly subordinated in right of payment to the Guarantees. The obligations of each Guarantor other than the Company are limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under the Senior 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 the Company 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. Except as provided in "**—Certain Covenants**" below, the Company is not restricted from selling or otherwise disposing of any of the Guarantors.

The Senior Indenture requires that each existing and future Restricted Subsidiary of the Company (other than KHL, Inc., the Issuer (for so long as it remains the Issuer) and K. Hovnanian Poland, sp.z.o.o.) be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor.

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

Upon the release of a guarantee by a Guarantor other than the Company under all then outstanding Applicable Debt, at any time after the suspension of certain covenants as provided below under the caption "—Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade," the Guarantee of such Guarantor under the Senior Indenture will be released and discharged at such time and no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor; *provided* that the foregoing shall not apply to any release of any Guarantor done in contemplation of, or in connection with, any cessation of the Senior Notes being rated Investment Grade. In the event that (1) any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed) or (2) the Extinguished Covenants cease to be suspended as described under "—Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade" then any such released Guarantor and any other Restricted Subsidiary of the Company then existing (other than the Restricted Subsidiaries named in the second preceding paragraph) will Guarantee the Senior Notes on the terms and conditions set forth in the Senior Indenture.

"**Applicable Debt**" means all Indebtedness of the Company or any of its Restricted Subsidiaries (i) under Credit Facilities or (ii) that is publicly traded (including in the Rule 144A market), including, without limitation, the Issuer's senior notes and senior subordinated notes outstanding on the Issue Date. For purposes of the above provision, Applicable Debt secured by a Lien on such Restricted Subsidiary's Property or issued by such Restricted Subsidiary shall be deemed guaranteed by such Restricted Subsidiary.

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 Senior Trustee to such effect, without any further action required on the part of the Senior Trustee or any Holder.

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

## Redemption

The Senior Notes will be redeemable, in whole, at any time, or in part, from time to time, at the option of the Issuer upon not less than 30 nor more than 60 days' notice at a redemption price equal to the sum of:

- (1) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if any; *plus*
- (2) the Make-Whole Amount.

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

- (1) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption



date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the business day preceding the date of such redemption) plus 0.50%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over

- (2) the principal amount of the Senior Note being redeemed.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Senior Note, 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), equal to the then remaining maturity of the Senior Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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

### **Selection and Notice**

If less than all of the Senior Notes are to be redeemed at any time, the Senior Trustee will select Senior Notes for redemption on a pro rata basis, by lot or by such other method as the Senior Trustee in its sole discretion shall deem appropriate and fair.

No Senior Notes of \$1,000 in original principal amount or less shall be redeemed in part. Notices of redemption may not be conditional.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note shall state the portion of the principal amount thereof to be redeemed. A new Senior Note in principal amount equal to the unredeemed portion of the original Senior Note will be issued in the name of the Holder thereof upon cancellation of the original Senior Note. Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of them called for redemption.

### **Certain Covenants**

The following is a summary of certain covenants that are contained in the Senior Indenture. Such covenants are applicable (unless waived or amended as permitted by the Senior Indenture or their application is suspended as set forth under the caption "—Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade") so long as any of the Senior Notes are outstanding or until the Senior Notes are defeased pursuant to provisions described under "Discharge and Defeasance of Senior Indenture."

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

On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail or cause to be mailed, to all Holders of record of Senior Notes, a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Senior Notes and the procedure which the Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of

Manhattan, The City of New York. To exercise such right, the Holder of such Senior Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Senior Note with respect to which the right is being exercised, duly endorsed for transfer; *provided, however*, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

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

With respect to any disposition of assets, the phrase "all or substantially all" as used in the Senior Indenture (including as set forth under "—Certain Covenants—Limitations on Mergers, Consolidations and Sales of Assets" below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Senior Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuer to repurchase Senior Notes.

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

The Senior Indenture will require the payment of money for Senior Notes or portions thereof validly tendered to, and accepted for payment by, the Issuer pursuant to a Change of Control offer. In the event that a Change of Control has occurred under the Senior Indenture, a change of control will also have occurred under the indentures governing the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, 6<sup>3</sup>/<sub>8</sub>% Senior Notes due 2014, 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2014, 8% Senior Notes due 2012, 6% Senior Subordinated Notes due 2010, 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013, 8<sup>7</sup>/<sub>8</sub>% Senior Subordinated Notes due 2012, 10<sup>1</sup>/<sub>2</sub>% Senior Notes due 2007 and under the revolving credit facility. If a Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds to pay the purchase price for all Senior Notes and amounts due under other Indebtedness that the Company may be required to repurchase or repay or that the Company or the other Guarantors would be able to make such payments. In the event that the Issuer were required to purchase outstanding Senior Notes pursuant to a Change of Control offer, the Company expects that it would need to seek third-party financing to the extent it does not have available funds to enable the Issuer to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

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

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

*Limitations on Indebtedness.* The Senior Indenture will provide that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (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.

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

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

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

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

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

*Limitations on Restricted Payments.* The Senior Indenture will provide that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (2) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitations on Indebtedness" covenant; and
- (3) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:
  - (a) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, *minus* 100% of such deficit), *plus*
  - (b) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for

Qualified Stock of the Company that have been so converted or exercised, as the case may be, *plus*

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

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

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

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

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

In determining the "Fair Market Value of Property" for purposes of clause (3) of the first paragraph of this covenant, Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the

number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

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

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

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

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

- (1) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,
- (2) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,
- (3) any Restricted Payment otherwise permitted under the "Limitations on Restricted Payments" covenant,
- (4) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (*provided, however, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Senior Indenture)*),

- (5) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,
- (6) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and
- (7) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

*Limitations on Dispositions of Assets.* The Senior Indenture will provide that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless:

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

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

The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (b) to the extent not so used, be applied to make an Offer to Purchase Senior Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Senior Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase or repayment.

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

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

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

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

except for:

- (a) encumbrances or restrictions existing under or by reason of applicable law,
- (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on the Issue Date,
- (c) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided, however*, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Senior Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,
- (f) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Senior Indenture,
- (g) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (h) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

- (i) encumbrances or restrictions existing under or by reason of the Senior Indenture or the Senior Notes,
- (j) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph,
- (k) Liens permitted under the Senior Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (l) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (m) customary provisions of any franchise, distribution or similar agreements,
- (n) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (o) any encumbrance or restrictions of the type referred to in clauses (1), (2) or (3) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (n) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

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

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

The foregoing provisions shall not apply to:

- (a) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case



results in such Guarantor being released from its Senior Guarantee as provided under "The Senior Guarantees" above, or

- (b) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

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

#### **Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade**

Notwithstanding the foregoing, the Issuer's, the Company's and its Restricted Subsidiaries' obligations to comply with the provisions of the Senior Indenture described above under the caption "Certain Covenants" (except for the covenants described under "—Repurchase of Senior Notes upon Change of Control," "—Limitations on Liens," "—Limitations on Mergers, Consolidations and Sales of Assets" (other than clause (3) of the first paragraph thereof) and "Reports to Holders of Senior Notes") will terminate (such terminated covenants, the "**Extinguished Covenants**") and cease to have any further effect from and after the first date when the Senior Notes issued under the Senior Indenture are rated Investment Grade; *provided*, that if the Senior Notes subsequently cease to be rated Investment Grade, then, from and after the time the Senior Notes cease to be rated Investment Grade, the Issuer's, the Company's and its Restricted Subsidiaries' obligation to comply with the Extinguished Covenants shall be reinstated.

In addition, following the achievement of such Investment Grade ratings, (1) the Senior Guarantees of the Guarantors will be released at the time of the release of the guarantees under all outstanding Applicable Debt subject to the reinstatement of Senior Guarantees if released Guarantors thereafter guarantee any Applicable Debt or the Senior Notes cease to be rated Investment Grade and (2) no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor unless released Guarantors thereafter guarantee any Applicable Debt or the Senior Notes cease to be rated Investment Grade, in each case as more fully described under the caption "—The Senior Guarantees."

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Subsidiaries prior to such reinstatement shall give rise to a Default or Event of Default under the Senior Indenture upon reinstatement; *provided* that with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made after May 4, 1999 will be calculated as though the "Limitations on Restricted Payments" covenant had been in effect during the entire period after such date.

#### **Condition for Release of K. Hovnanian**

The Senior Indenture provides that the Issuer may be released from its obligations under the Senior Indenture and the Senior Notes, without the consent of the holders of the Senior Notes, if (1) the Company or any successor to the Company has assumed the obligations of the Issuer under the Senior Indenture and the Senior Notes, (2) the Company delivers an opinion of counsel to the Senior Trustee to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the release and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise and (3) the Issuer becomes a Guarantor of the Senior Notes at such time, until such time, if any, as such Senior Guarantee may be released as described above under the captions "—Limitation of Applicability of Certain Covenants if Senior Notes Rated Investment Grade" and "—The Senior Guarantees."

## Events of Default

The following are Events of Default under the Senior Indenture:

- (1) the failure by the Company, the Issuer and the Guarantors to pay interest on, or additional interest, if any, with respect to, any Senior Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;
  - (2) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Senior Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
  - (3) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Senior Notes, the Senior Guarantees or the Senior Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under covenants described under "Certain Covenants—Repurchase of Senior Notes upon Change of Control" and "Certain Covenants—Limitations on Mergers, Consolidations and Sales of Assets," which will constitute Events of Default with notice but without passage of time);
  - (4) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;
  - (5) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
  - (6) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;
  - (7) the Company, 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 creditors;
  - (8) 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, or

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

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

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

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

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

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

### **Discharge and Defeasance of Senior Indenture**

The Company, the Issuer and the Guarantors may discharge their obligations under the Senior Notes, the Senior Guarantees and the Senior Indenture by irrevocably depositing in trust with the Senior Trustee money or U.S. Government Obligations sufficient to pay principal of, premium and interest and additional interest, if any, on the Senior Notes to maturity or redemption and the Senior Notes mature or are to be called for redemption within one year, subject to meeting certain other conditions.

The Senior Indenture will permit the Company, the Issuer and the Guarantors to terminate all of their respective obligations under the Senior Indenture with respect to the Senior Notes and the Senior Guarantees, other than the obligation to pay interest on and the principal of the Senior Notes and certain other obligations ("**legal defeasance**"), at any time by

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

In addition, the Senior Indenture will permit the Company, the Issuer and the Guarantors to terminate all of their obligations under the Senior Indenture with respect to certain covenants and events of default specified in the Senior Indenture, and the Guarantors will be released ("**covenant defeasance**"), at any time by

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

Notwithstanding the foregoing, no discharge, legal defeasance or covenant defeasance described above will affect the following obligations to, or rights of, the Holders of the Senior Notes:

- rights of registration of transfer and exchange of Senior Notes;
- rights of substitution of mutilated, defaced, destroyed, lost or stolen Senior Notes;
- rights of Holders of the Senior Notes to receive payments of principal thereof, premium, if any, and interest and additional interest, if any, thereon, upon the original due dates therefor, but not upon acceleration;
- rights, obligations, duties and immunities of the Senior Trustee;
- rights of Holders of Senior Notes beneficiaries with respect to property so deposited with the Senior Trustee payable to all or any of them; and
- obligations of the Company, the Issuer or the Guarantors to maintain an office or agency in respect of the Senior Notes.

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

### **Transfer and Exchange**

A Holder may transfer or exchange Senior Notes only in accordance with the provisions of the Senior Indenture. The Senior 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 Senior Indenture.

### **Amendment, Supplement and Waiver**

Subject to certain exceptions, the Senior Indenture or the Senior Notes may be amended or supplemented with the consent (which may include written consents obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of at least a majority in principal amount of the Senior Notes then outstanding, and future compliance with any provision of the Senior Indenture or the Senior Notes may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the Senior Notes) with the consent (which may include waivers obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of a majority in principal amount of the Senior Notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Senior Trustee may amend or supplement the Senior Indenture or the Senior Notes to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the Senior Indenture; to comply with any requirements of the Commission in connection with the qualification of

the Senior Indenture under the Trust Indenture Act; to evidence and provide for the acceptance of appointment under the Senior Indenture by a successor Senior Trustee; to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes; to provide for any Guarantee of the Senior Notes; to secure the Senior Notes or to confirm and evidence the release, termination or discharge of any Senior Guarantee of or Lien securing the Senior Notes when such release, termination or discharge is permitted by the Senior Indenture; to make any change that does not adversely affect the legal rights of any Holder; to evidence the assumption by the Company (or its successor entity) or a successor entity of the Issuer of the obligations of the Issuer under the Senior Indenture and the Senior Notes; to add covenants or new events of default for the protection of the Holders of the Senior Notes; or to designate a bank or trust company other than the Senior Trustee to act as trustee.

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

- (1) reduce the amount of Senior Notes whose Holders must consent to an amendment, supplement or waiver,
- (2) reduce the rate of or extend the time for payment of interest, including default interest, on any Senior Note,
- (3) reduce the principal of or change the fixed maturity of any Senior Note or alter the provisions (including related definitions) with respect to redemptions described under "—Redemption" or with respect to mandatory offers to repurchase Notes described under "—Certain Covenants—Limitations on Dispositions of Assets" or "—Certain Covenants—Repurchase of Senior Notes upon Change of Control,"
- (4) make any Senior Note payable in money other than that stated in the Senior Note,
- (5) make any change in the "Waivers of Defaults by Majority of Holders" or the "Proceedings by Holders" sections set forth in the Senior Indenture,
- (6) modify the ranking or priority of the Senior Notes or any Senior Guarantee,
- (7) release any Guarantor from any of its obligations under its Senior Guarantee or the Senior Indenture otherwise than in accordance with the Senior Indenture, or
- (8) waive a continuing Default or Event of Default in the payment of principal of or interest on the Senior Notes.

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

### **Governing Law**

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

### **Definitions of Certain Terms Used in the Senior Indenture**

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

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

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

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

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

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

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

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

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

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

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

**"Cash Equivalents"** means

- (1) U.S. dollars;
- (2) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;
- (3) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within six months after the date of acquisition; and
- (6) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (1) through (5).

**"Change of Control"** means

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



(as defined in Rule 13d-3 under the Exchange Act) of Common Equity of the Company representing more than 50% of the voting power of the Common Equity of the Company;

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

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

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

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

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

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

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

- (1) the incurrence or the repayment, repurchase, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, **"repayment"**) of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the

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

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

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

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

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

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

"**Consolidated Net Income**" for any period means the aggregate net income (or loss) of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with

GAAP; *provided*, that there will be excluded from such net income (loss) (to the extent otherwise included therein), without duplication:

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

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

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

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

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

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

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

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

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

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

"**Designation Amount**" has the meaning provided in the definition of Unrestricted Subsidiary.

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

"**Event of Default**" has the meaning set forth in "Events of Default."

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

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

**"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: (i) 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 (ii) 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"** means the senior guarantee of the Notes by the Company and each other Guarantor under the Senior Indenture.

**"Guarantors"** means (i) initially, the Company and each of the Company's Restricted Subsidiaries in existence on the Issue Date, other than the Issuer, KHL, Inc. and K. Hovnanian Poland, sp.zo.o., and (ii) each of the Company's Subsidiaries which becomes a Guarantor of the Senior Notes pursuant to the provisions of the Senior Indenture, and their successors, in each case until released from its respective Senior Guarantee pursuant to the Senior Indenture.

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

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

- (1) any liability of such Person (a) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instrument issued for the benefit of, or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), (b) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof, is not required to be recorded as a liability in accordance with GAAP), or (c) in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof),
- (2) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided, however*, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary

under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to the "Limitations on Restricted Payments" covenant,

- (3) to the extent not otherwise included, the obligations of such Person under Currency Agreements or Interest Protection Agreements to the extent recorded as liabilities not constituting Interest Incurred, net of amounts recorded as assets in respect of such agreements, in accordance with GAAP, and
- (4) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

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

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

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

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

**"Interest Protection Agreement"** of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Senior Indenture.

**"Investment Grade"** means, with respect to a debt rating of the Senior Notes, a rating of Baa3 or higher by Moody's together with a rating of BBB- or higher by S&P or, in the event S&P or Moody's or both shall cease rating the Senior 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 (i) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (ii) all guarantees of Indebtedness or other obligations of any other Person by such Person, (iii) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital Stock or other securities of any other Person and (iv) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

**"Issue Date"** means August 8, 2005.

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

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

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

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

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

**"Non-Recourse Indebtedness"** with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred

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

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

**"Permitted Indebtedness"** means

- (1) Indebtedness under Credit Facilities which does not exceed \$1.0 billion principal amount outstanding at any one time;
- (2) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;
- (3) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; provided, however, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of the first paragraph of the covenant described under "Limitations on Indebtedness" at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;
- (4) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;
- (5) Purchase Money Indebtedness;
- (6) Capitalized Lease Obligations;
- (7) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;
- (8) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;
- (9) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business; and



- (10) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (10), does not exceed \$50 million aggregate principal amount outstanding at any one time.

**"Permitted Investment"** means

- (1) Cash Equivalents;
- (2) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (3) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Senior Indenture;
- (4) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of the Senior Indenture;
- (5) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;
- (6) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; provided, however, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;
- (7) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;
- (8) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;
- (9) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages; and
- (10) Investments in an aggregate amount outstanding not to exceed \$10 million.

**"Permitted Liens"** means

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

- (3) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,
- (4) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (1)(a) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (5) attachment or judgment Liens not giving rise to a Default or an Event of Default,
- (6) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (7) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (8) Liens securing Indebtedness incurred pursuant to clause (8) or (9) of the definition of Permitted Indebtedness,
- (9) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Senior Indenture; provided, that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (9) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),
- (10) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; provided, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,
- (11) Liens securing Purchase Money Indebtedness; *provided*, that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness,
- (12) Liens on property or assets of the Company, the Issuer or any Restricted Subsidiary securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary owing to the Company, the Issuer or one or more Restricted Subsidiaries,
- (13) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,

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

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

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

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

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

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

**"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 related real estate activities, including the provision of mortgage financing or title insurance.

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

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

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

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

- (2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made to the Company, the Issuer or any Restricted Subsidiary); and
- (3) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (2) of the definition of Indebtedness.

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

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

**"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.

**"Senior Trustee"** means the party named as such above until a successor replaces such party in accordance with the applicable provisions of the Senior Indenture and thereafter means the successor serving as trustee under the Senior Indenture in respect of the Senior Notes.

**"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.

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

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided, however*, that (1) the net amount (the "**Designation Amount**") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture, to the extent provided therein, (2) the Company must be permitted under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture to make the Restricted Payment deemed to have been made pursuant to clause (1), and (3) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance

with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

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

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

#### **Concerning the Senior Trustee**

The Senior Trustee is also trustee with respect to the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, 10<sup>1</sup>/<sub>2</sub>% Senior Notes due 2007, 8% Senior Notes due 2012, 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2014, 6<sup>3</sup>/<sub>8</sub>% Senior Notes due 2014, 6% Senior Subordinated Notes due 2010, 8<sup>7</sup>/<sub>8</sub>% Senior Subordinated Notes due 2012 and 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013. The Senior Indenture will contain certain limitations on the rights of the Senior Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest during the continuance of any Default, it must, so long as such Default has not been cured or duly waived, eliminate that conflicting interest within 90 days, apply to the Commission for permission to continue or resign.

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

## EXCHANGE OFFER; REGISTRATION RIGHTS

The Issuer, the Company, the other guarantors party thereto and the initial purchasers of the outstanding notes entered into a registration rights agreement on August 8, 2005, which we refer to as the "**Registration Rights Agreement.**" Pursuant to the Registration Rights Agreement, the Issuer, the Company and the other guarantors party thereto agreed to file with the SEC the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the exchange offer. Upon the effectiveness of the Exchange Offer Registration Statement and pursuant to the exchange offer, the Issuer will offer to the holders of Transfer Restricted Securities (as defined below) who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for exchange notes. Capitalized terms used in this section but not otherwise defined have the meanings given to them in the Registration Rights Agreement.

Under the Registration Rights Agreement:

- (1) the Issuer, the Company and the other guarantors agreed to file an Exchange Offer Registration Statement with the SEC on or prior to 90 days after August 8, 2005;
- (2) the Issuer, the Company and the other guarantors agreed to use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the SEC on or prior to 150 days after August 8, 2005;
- (3) unless the exchange offer would not be permitted by applicable law or SEC policy, the Issuer, the Company and the other guarantors agreed to commence the exchange offer, keep the exchange offer open for a period of not less than 20 business days and use their reasonable best efforts to issue, on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the SEC, exchange notes in exchange for all outstanding notes tendered prior thereto in the exchange offer; and
- (4) if obligated to file the Shelf Registration Statement, the Issuer, the Company and the other guarantors will file the Shelf Registration Statement with the SEC on or prior to 30 days after that filing obligation arises and use their reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or prior to 90 days after that obligation arises.

In the event that:

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

then, the Issuer, the Company and the other guarantors have agreed to file with the SEC a Shelf Registration Statement to cover resales of the notes by the holders thereof who satisfy certain conditions relating to the provisions of information in connection with the Shelf Registration Statement.

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

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

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

The Issuer, the Company and other guarantors have agreed to pay additional interest to each holder of Transfer Restricted Securities upon the occurrence of any of the following:

- (1) the Issuer, the Company and the other guarantors fail to file any of the Registration Statements required by the Registration Rights Agreement on or before the date specified for that filing;
- (2) any of such Registration Statements is not declared effective by the SEC on or prior to the date specified for that effectiveness, which we refer to as the "**Effectiveness Target Date**";
- (3) the Issuer, the Company and the other guarantors fail to consummate the exchange offer within 40 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement; or
- (4) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable (without being succeeded immediately by a post-effective amendment to such Registration Statement) in connection with resales of Transfer Restricted Securities during the periods specified in the Registration Rights Agreement.

We refer to each event referred to in clauses (1) through (4) above as a "**Registration Default**."

Such additional interest shall be:

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

All accrued additional interest will be paid on each Interest Payment Date at the same time and in the same manner as interest. Following the cure of all Registration Defaults, the accrual of additional interest will cease. Additional interest will only be payable in respect of one Registration Default at any time.

Holders of Transfer Restricted Securities will be required to make certain representations to the Issuer, the Company and the other guarantors (as described in the Registration Rights Agreement) in



order to participate in the Exchange Offer and will be required to deliver certain information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their notes included in the Shelf Registration Statement and to benefit from the provisions regarding additional interest set forth above with respect to the Shelf Registration Statement.

The outstanding notes and the exchange notes will constitute a single series of debt securities under the Senior Indenture. If an Exchange Offer is consummated, holders of outstanding notes who do not exchange their outstanding notes in that Exchange Offer will vote together with the holders of the exchange notes for all relevant purposes under the Senior Indenture. Accordingly, when determining whether the required holders have given notice, consent or waiver or taken any other action permitted under the Senior Indenture, any outstanding notes that remain outstanding after the Exchange Offer will be aggregated with the exchange notes. All references herein to specified percentages in aggregate principal amount of notes outstanding shall be deemed to mean, at any time after the Exchange Offer is consummated, percentages in aggregate principal amount of outstanding notes and exchange notes outstanding.

**Book-Entry Procedures for the Global Notes**

The exchange notes will initially be represented in the form of one or more global notes in fully-registered book-entry form without interest coupons that will be deposited upon issuance with the trustee under the indenture, Wachovia Bank, National Association, as custodian for The Depository Trust Company, or "DTC," and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant as described below.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below. See "—Exchange of Global Notes for Certificated Notes." In addition, transfer of beneficial interests in the global notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time. The notes may be presented for registration of transfer and exchange at the Corporate Trust Office of the trustee.

**Depository Procedures**

DTC has advised the Issuer that it is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "**Participants**") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of Participants. The Participants include securities brokers and dealers (including the initial purchasers of the outstanding notes), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "**Indirect Participants**"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it,

- (1) upon deposit of the global notes, DTC will credit the accounts of Participants with an interest in the global notes; and
- (2) ownership of such interests in the global notes will be shown on, and the transfer of ownership thereof, will be effected only through, records maintained by DTC (with respect to Participants) or by Participants and the Indirect Participants (with respect to other owners of beneficial interests in the global notes).

The laws of some states require that certain persons take physical delivery in definitive form of securities they own. Consequently, the ability to transfer beneficial interest in a global note to such persons may be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of physical certificate evidencing such interests. For certain other restrictions on the transferability of the notes, see "—Exchange of Global Notes for Certificated Notes."

**Except as described below, owners of interests in the global notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the indenture for any purpose.**

Payments in respect of the principal and premium and additional interest, if any, and interest on a global note registered in the name of DTC or its nominee will be payable by the trustee to DTC or its nominee in its capacity as the registered holder under the indenture. Under the terms of the indenture, the indenture and the trustee will treat the persons in whose names the notes, including the global notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever.

Consequently, none of the Issuer, the trustee nor any agent of the Issuer or the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the global notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the global notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the exchange notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by Participants and the Indirect Participants to the beneficial owners of exchange notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or the Issuer. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the exchange notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream participants, interests in the global notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, crossmarket transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities accounts of a Euroclear or Clearstream Participant purchasing an interest in a note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream Participant, during the securities settlement

processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interests in an exchange note by or through a Euroclear or Clearstream Participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of exchange notes only at the direction of one or more Participants to whose account DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange global notes for legended exchange notes in certificated form, and to distribute such exchange notes to its Participants.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the global notes among Participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the initial purchasers of the outstanding notes or the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

### **Exchange of Global Notes for Certificated Notes**

A global note is exchangeable for a certificated exchange note if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the global notes and the Issuer thereupon fails to appoint a successor depository within 90 days or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) the Issuer, at its option, notifies the trustee in writing that it elects to cause the issuance of the notes in certificated form (provided that the Issuer understands that under current industry practices, DTC would notify Participants of the Issuer's determination in this clause (2), but would only withdraw beneficial interests from a global note at the request of Participants); or
- (3) there shall have occurred and be continuing to occur a default or an event of default with respect to the notes.

In addition, beneficial interests in a global note may be exchanged for certificated exchange notes upon request but only upon at least 20 days' prior written notice given to the trustee by or on behalf of DTC in accordance with customary procedures. In all cases, certificated exchange notes delivered in exchange for any global note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures).

### **Same Day Settlement And Payment**

The indenture requires that payments in respect of exchange notes represented by the global notes (including principal, premium, if any, interest and additional interest, if any) be made by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. With respect to certificated exchange notes, we will make all payments of principal, premium, if any, interest and additional interest, if any, by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. The exchange notes represented by the global notes are eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such exchange notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any certificated exchange notes will also be settled in immediately available funds.

**UNITED STATES FEDERAL INCOME TAX CONSEQUENCES  
OF THE EXCHANGE OFFER**

The exchange of outstanding notes for exchange notes in the exchange offer will not constitute a taxable event to holders for United States federal income tax purposes. Consequently, no gain or loss will be recognized by a holder upon receipt of an exchange note, the holding period of the exchange note will include the holding period of the outstanding note exchanged therefor, and the basis of the exchange note will be the same as the basis of the outstanding note immediately before the exchange.

**In any event, persons considering the exchange of outstanding notes for exchange notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

## PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired as a result of market-making activities or other trading activities. To the extent that any such broker-dealer participates in the exchange offer and so notifies us, or causes us to be so notified in writing, we have agreed that for a period of up to 180 days after the consummation of this offer to use our best efforts to make this prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale and will deliver as many additional copies of this prospectus and each amendment or supplement to this prospectus and any documents incorporated by reference in this prospectus as such broker-dealer may reasonably request.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own accounts pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of these methods of resale at market prices prevailing at the time of resale, at prices related to the prevailing market prices or at negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of the exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any resale of exchange notes and any commissions or concessions received by these persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

We have also agreed to pay all expenses incident to the exchange offer, including the expenses of one counsel for the holders of all of the sellers of the outstanding notes, and will indemnify the holders of the outstanding notes, including any broker-dealers, against certain liabilities under the Securities Act.

## LEGAL MATTERS

The validity of the exchange notes offered hereby will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York.

## EXPERTS

The consolidated financial statements of Hovnanian Enterprises, Inc. appearing in Hovnanian Enterprises, Inc.'s Annual Report on Form 10-K for the year ended October 31, 2004 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of said firm as experts in accounting and auditing.

## AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, and file reports, proxy statements and other information with the SEC. You may read, free of charge, and copy, at the prescribed rates, any reports, proxy statements and other information at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Copies of such material also can be obtained by mail from the Public Reference Section of the SEC, at 100 F Street, N.E., Washington, D.C. 20549, at the prescribed rates. The SEC also maintains a website that contains reports, proxy and information statements and other information. The website address is: <http://www.sec.gov>. Hovnanian's Class A common stock is listed on the New York Stock Exchange, and reports, proxy statements and other information also can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

- Annual Report on Form 10-K for the fiscal year ended October 31, 2004, Registration File No. 1-8551 (including information specifically incorporated by reference into the Annual Report on Form 10-K from Hovnanian's definitive proxy statement filed on February 7, 2005, Registration File No. 1-8551);
- Quarterly Report on Form 10-Q, as amended, for the quarter ended January 31, 2005, and Quarterly Report on Form 10-Q for the quarter ended April 30, 2005, Registration File Nos. 1-8551; and
- Current Reports on Form 8-K filed on January 19, 2005, June 20, 2005, July 5, 2005 and July 13, 2005, Registration File Nos. 1-8551.

This prospectus is part of a registration statement filed with the SEC. The SEC allows us to "incorporate by reference" selected documents that we file with it, which means that we can disclose important information to you by referring to those documents. The information in the documents incorporated by reference is considered to be a part of this prospectus, and information in documents that we file later with the SEC will automatically update and supercede this information. We incorporate by reference the documents listed above filed under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act.

All documents filed by Hovnanian pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of the offerings made by this

prospectus are to be incorporated herein by reference. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Hovnanian will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the information incorporated by reference in this prospectus, other than exhibits to such information (unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests for such copies should be directed to Paul W. Buchanan, Senior Vice President—Corporate Controller, Hovnanian Enterprises, Inc., 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701, telephone: (732) 747-7800.





**\$300,000,000**

**K. Hovnanian Enterprises, Inc.**

**Guaranteed by  
Hovnanian Enterprises, Inc.**

**Offer to Exchange All Outstanding  
6.25% Senior Notes due 2016  
(\$300,000,000 aggregate principal amount outstanding)  
for 6.25% Senior Notes due 2016, which have been registered  
under the Securities Act of 1933**

Until \_\_\_\_\_, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

\_\_\_\_\_  
**PROSPECTUS**  
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## PART II

### INFORMATION NOT REQUIRED IN PROSPECTUS

#### Item 20. Indemnification of Directors and Officers.

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

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

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

K. Hovnanian is a California corporation. Section 317 of the California Corporations Code provides that a corporation has the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding, other than in an action by or on behalf of the corporation to obtain a favorable judgment for itself, because such person is or was an agent of the corporation, against expenses actually and reasonably incurred in connection with the proceeding, if the person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation and, in the case of criminal proceedings, had no reasonable cause to believe that the conduct was unlawful. In the case of suits by or on behalf of a corporation to obtain a judgment in its favor, a corporation has the power to indemnify any person who was or is a party or is threatened to be made a party to such proceeding because such person is or was the corporation's agent, against expenses actually and reasonably incurred if the person acted in good faith in a manner the person believed to be in the best interests of the corporation and its shareholders, except that no such indemnification may be made for claims as to which the person shall have been adjudged to be liable to the corporation in the performance of that person's duty to the corporation, unless and then only to the extent a court determines otherwise.

Article FIFTH of K. Hovnanian's Articles of Incorporation contains the following provisions with respect to indemnification:

The Corporation is authorized, to the fullest extent permissible under California law, to indemnify its agents (as defined by Section 317 of the California Corporations Code) whether by bylaw, agreement or otherwise, for breach of duty to the Corporation and its shareholders in excess of that expressly permitted by California Code Section 317, and to advance defense expenses to its agents in connection with such matters as those expenses are incurred; provided, indemnification shall not be provided for any acts or omissions or transactions from which pursuant to applicable statute(s) a director may not be relieved of liability nor under circumstances in which indemnity is expressly prohibited by the statute covering the indemnification of agents.

Hovnanian maintains a liability insurance policy providing coverage for its directors and officers, the directors and officers of K. Hovnanian and the directors and officers of certain of its other subsidiaries in an amount up to \$50,000,000.

**Item 21. Exhibits.**

- 3.1 Articles of Incorporation of K. Hovnanian Enterprises, Inc.(1)
- 3.2 By-Laws of K. Hovnanian Enterprises, Inc.(4)
- 3.3 Certificate of Incorporation of Hovnanian Enterprises, Inc.(2)
- 3.4 Certificate of Amendment of Certificate of Incorporation of Hovnanian Enterprises, Inc.(1)
- 3.5 Certificate of Amendment of Certificate of Incorporation of Hovnanian Enterprises, Inc.(5)
- 3.6 Restated By-Laws of Hovnanian Enterprises, Inc.(3)
- 3.7 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in New Jersey.(1)
- 3.8 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in New York.(1)
- 3.9 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Pennsylvania.(1)
- 3.10 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in North Carolina.(1)
- 3.11 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in South Carolina.(1)
- 3.12 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Virginia.(1)
- 3.13 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Maryland.(1)
- 3.14 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Delaware.(1)
- 3.15 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in California.(1)
- 3.16 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Texas.(1)

- 3.17 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Arizona.(1)
- 3.18 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Ohio.(1)
- 3.19 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in West Virginia.(1)
- 3.20 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Florida.(1)
- 3.21 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Michigan.(1)
- 3.22 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Tennessee.(1)
- 3.23 Form of Articles of Organization for Subsidiary Registrant limited liability companies.(1)
- 3.24 Form of Certificate of Limited Partnership for Subsidiary Registrant limited partnerships.(1)
- 3.25 Form of By-Laws for Subsidiary Registrant corporations incorporated in New Jersey.(1)
- 3.26 Form of By-Laws for Subsidiary Registrant corporations incorporated in New York.(1)
- 3.27 Form of By-Laws for Subsidiary Registrant corporations incorporated in Pennsylvania.(1)
- 3.28 Form of By-Laws for Subsidiary Registrant corporations incorporated in North Carolina.(1)
- 3.29 Form of By-Laws for Subsidiary Registrant corporations incorporated in South Carolina.(1)
- 3.30 Form of By-Laws for Subsidiary Registrant corporations incorporated in Maryland.(1)
- 3.31 Form of By-Laws for Subsidiary Registrant corporations incorporated in Virginia.(1)
- 3.32 Form of By-Laws for Subsidiary Registrant corporations incorporated in Delaware.(1)
- 3.33 Form of By-Laws for Subsidiary Registrant corporations incorporated in California.(1)
- 3.34 Form of By-Laws for Subsidiary Registrant corporations incorporated in Texas.(1)
- 3.35 Form of By-Laws for Subsidiary Registrant corporations incorporated in Arizona.(1)
- 3.36 Form of By-Laws for Subsidiary Registrant corporations incorporated in Ohio.(1)
- 3.37 Form of By-Laws for Subsidiary Registrant corporations incorporated in West Virginia.(1)
- 3.38 Form of By-Laws for Subsidiary Registrant corporations incorporated in Florida.(1)
- 3.39 Form of By-Laws for Subsidiary Registrant corporations incorporated in Michigan.(1)
- 3.40 Form of By-Laws for Subsidiary Registrant corporations incorporated in Tennessee.(1)
- 3.41 Form of Limited Liability Company Agreement for Subsidiary Registrant limited liability companies.(1)
- 3.42 Form of Limited Partnership Agreement for Subsidiary Registrant limited partnerships.(1)
- 3.43 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Minnesota.(8)
- 4.1 Indenture, dated as of August 8, 2005, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association, as trustee (filed herewith).

- 4.2 Registration Rights Agreement, dated as of August 8, 2005, by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries and Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. on behalf of themselves and the several other initial purchasers (filed herewith).
- 4.3 Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005.(12)
- 5.1 Opinion of Simpson Thacher & Bartlett LLP (filed herewith).
- 10.1 Fifth Amended and Restated Credit Agreement, dated June 14, 2005 (filed herewith).
- 10.2 Amended and Restated Guaranty and Suretyship Agreement, dated June 14, 2005 (filed herewith).
- 10.3 Description of Management Bonus Arrangements.(6)
- 10.4 Description of Savings and Investment Retirement Plan.(2)
- 10.5 1999 Stock Incentive Plan (as amended and restated).(9)
- 10.6 1983 Stock Option Plan (as amended and restated March 8, 2002).(7)
- 10.7 Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(2)
- 10.8 Management Agreement dated December 15, 1985 for the management of properties by K. Hovnanian Investment Properties, Inc.(6)
- 10.9 Description of Deferred Compensation Plan.(6)
- 10.10 Senior Executive Short-Term Incentive Plan (as amended and restated).(10)
- 10.11 Third Amendment to First Restated Revolving Credit Agreement dated as of August 3, 2004 among K. Hovnanian Mortgage, Inc., and K. Hovnanian American Mortgage, LLC., Guaranty Bank, Bank of America NA, J.P. Morgan Chase Bank, Comerica Bank, National City Bank of Kentucky, U S Bank N A, Colonial Bank NA, and Washington Mutual Bank FA (Warehouse Agreement).(11)
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 23.1 Consent of Simpson Thacher & Bartlett LLP (contained in Exhibit 5.1).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Powers of Attorney of the Board of Directors of K. Hovnanian Enterprises, Inc. (included on signature page).
- 24.2 Powers of Attorney of the Board of Directors of Hovnanian Enterprises, Inc. (included on signature page).
- 24.3 Powers of Attorney of the Board of Directors of the Registrants (as listed on the Schedule of Subsidiary Registrants) (included on signature page).
- 25.1 Statement of Eligibility of Trustee under the Indenture filed as Exhibit 4.1 hereto (filed herewith).
- 99.1 Form of Letter of Transmittal (filed herewith).
- 99.2 Form of Letter to Dealers, Commercial Banks, Trust Companies and Other Nominees (filed herewith).

99.3 Form of Letter to Clients (filed herewith).

99.4 Form of Notice of Guaranteed Delivery (filed herewith).

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- (1) Incorporated by reference to Exhibits to the Registration Statement (No. 333-106761) on Form S-3 of Hovnanian Enterprises, Inc.
- (2) Incorporated by reference to Exhibits to the Registration Statement (No. 2-85198) on Form S-1 of Hovnanian Enterprises, Inc.
- (3) Incorporated by reference to Exhibit 3.2 to the Registration Statement (No. 001-08551) on Form 8-A of Hovnanian Enterprises, Inc.
- (4) Incorporated by reference to Exhibits to the Registration Statement (No. 333-125738) on Form S-3 of Hovnanian Enterprises, Inc.
- (5) Incorporated by reference to Exhibit 3(c) to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended January 31, 2004.
- (6) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2003.
- (7) Incorporated by reference to Exhibits to the Annual Report on Form 10-K for the year ended October 31, 2002 of the Registrant.
- (8) Incorporated by reference to Exhibits to the Registration Statement (No. 333-122175) on Form S-4 of Hovnanian Enterprises, Inc.
- (9) Incorporated by reference to Appendix B of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (10) Incorporated by reference to Appendix A of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (11) Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2004 of Hovnanian Enterprises, Inc.
- (12) Incorporated by reference to Exhibits to the Current Report on Form 8-K of Hovnanian Enterprises, Inc., filed on July 13, 2005.

**Item 22. Undertakings.**

The undersigned registrants hereby undertake:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the

maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
  
- (2) That, for the purpose of determining any liability under the Securities Act of 1933 each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
  
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of Hovnanian Enterprises, Inc.'s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrants hereby undertake to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.





---

Jerold Walsh

Assistant Secretary and Director

/s/ JIM HIGHLAND

---

Jim Highland

Director

---

J.R. Mosier

Director



/s/ ARTHUR M. GREENBAUM

---

Arthur M. Greenbaum

Director

/s/ DESMOND P. MCDONALD

---

Desmond P. McDonald

Director

/s/ EDWARD A. KANGAS

---

Edward A. Kangas

Director

John J. Robbins

Director

/s/ J. LARRY SORSBY

---

J. Larry Sorsby

Executive Vice President, Chief Financial Officer and Director

/s/ STEPHEN D. WEINROTH

---

Stephen D. Weinroth

Director



/s/ PETER S. REINHART

---

Peter S. Reinhart

Senior Vice President, General Counsel, Secretary and Director

/s/ J. LARRY SORSBY

---

J. Larry Sorsby

Executive Vice President, Chief Financial Officer and Director

## SCHEDULE OF SUBSIDIARY REGISTRANTS

### Exact Name of Registrant As Specified in Its Charter

ARROW PROPERTIES, INC.  
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNANIAN ACQUISITIONS, INC.  
K. HOVNANIAN AT BALLANTRAE, INC.  
K. HOVNANIAN AT BERNARDS IV, INC.  
K. HOVNANIAN AT BRANCHBURG III, INC.  
K. HOVNANIAN AT BRIDGEPORT, INC.  
K. HOVNANIAN AT BRIDGEWATER VI, INC.  
K. HOVNANIAN AT BURLINGTON III, INC.  
K. HOVNANIAN AT BURLINGTON, INC.  
K. HOVNANIAN AT CALABRIA, INC.  
K. HOVNANIAN AT CARMEL DEL MAR, INC.  
K. HOVNANIAN AT CASTILE, INC.  
K. HOVNANIAN AT CHAPARRAL, INC.  
K. HOVNANIAN AT CLARKSTOWN, INC.  
K. HOVNANIAN AT CRESTLINE, INC.  
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNANIAN AT EAST WHITELAND I, INC.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT HACKETTSTOWN, INC.  
K. HOVNANIAN AT HERSHEY'S MILL, INC.  
K. HOVNANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNANIAN AT HOPEWELL IV, INC.  
K. HOVNANIAN AT HOPEWELL VI, INC.  
K. HOVNANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNANIAN AT KINGS GRANT I, INC.  
K. HOVNANIAN AT KLOCKNER FARMS, INC.  
K. HOVNANIAN AT LA TERRAZA, INC.  
K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.  
K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.  
K. HOVNANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT SAWMILL, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT SKYE ISLE, INC.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN AT THORNBURY, INC.  
K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT WILDROSE, INC.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN CONSTRUCTION II, INC.  
K. HOVNIANIAN CONSTRUCTION III, INC.

K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
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 ILLINOIS, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MICHIGAN, 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 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 WEST VIRGINIA, INC.  
K. HOVNIANIAN EQUITIES, INC.  
K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN HOMES OF VIRGINIA, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH PROPERTIES, INC.  
DULLES COPPERMINE, L.L.C.



EDISON CONTRACT SERVICES, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF TEXAS, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.  
K. HOVNANIAN AT 4S II, L.L.C.  
K. HOVNANIAN AT 4S, L.L.C.  
K. HOVNANIAN AT ACQUA VISTA, L.L.C.  
K. HOVNANIAN AT ALISO, L.L.C.  
K. HOVNANIAN AT ALLENTOWN, L.L.C.  
K. HOVNANIAN AT ARBOR HEIGHTS, L.L.C.  
K. HOVNANIAN AT AVENUE ONE, L.L.C.  
K. HOVNANIAN AT BARNEGAT I, L.L.C.  
K. HOVNANIAN AT BARNEGAT II, L.L.C.  
K. HOVNANIAN AT BELLA LAGO, L.L.C.  
K. HOVNANIAN AT BERKELEY, L.L.C.  
K. HOVNANIAN AT BERNARDS V, L.L.C.  
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNANIAN AT CAMDEN I, L.L.C.  
K. HOVNANIAN AT CAPISTRANO, L.L.C.  
K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNANIAN AT CHESTER I, L.L.C.  
K. HOVNANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNANIAN AT CLIFTON, L.L.C.  
K. HOVNANIAN AT CLIFTON II, L.L.C.  
K. HOVNANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNANIAN AT CRANBURY, L.L.C.  
K. HOVNANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNANIAN AT DENVILLE, L.L.C.  
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT DOVER, L.L.C.  
K. HOVNANIAN AT EASTLAKE, L.L.C.  
K. HOVNANIAN AT EDGEWATER II, L.L.C.  
K. HOVNANIAN AT EDGEWATER, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT ENCINITAS RANCH, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.

K. HOVNIANIAN AT GREAT NOTCH, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN II, L.L.C.  
K. HOVNIANIAN AT HAMBURG, L.L.C.  
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT HAWTHORNE, L.L.C.  
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C  
K. HOVNIANIAN AT HIGHWATER, L.L.C.  
K. HOVNIANIAN AT JACKSON I, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT LA COSTA, L.L.C.  
K. HOVNIANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT LAWRENCE V, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C  
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNIANIAN AT LONG BRANCH I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.  
K. HOVNIANIAN AT MANALAPAN III, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, LLC  
K. HOVNIANIAN AT MANSFIELD II, LLC  
K. HOVNIANIAN AT MANSFIELD III, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IX, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP V, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.  
K. HOVNIANIAN AT MARLBORO VI, L.L.C.  
K. HOVNIANIAN AT MARLBORO VII, L.L.C.  
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MENIFEE, L.L.C.  
K. HOVNIANIAN AT MENIFEE VALLEY CONDUMINIUMS, L.L.C.  
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN AT MILLVILLE I, L.L.C.  
K. HOVNIANIAN AT MILLVILLE II, L.L.C.  
K. HOVNIANIAN AT MILLVILLE III, L.L.C.  
K. HOVNIANIAN AT MONROE III, L.L.C.  
K. HOVNIANIAN AT MONROE IV, L.L.C.  
K. HOVNIANIAN AT MONTVALE, L.L.C.

K. HOVNIANIAN AT MOSAIC, L.L.C.  
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
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, 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 NORTHFIELD, L.L.C.  
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.  
K. HOVNIANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT PARK LANE, L.L.C.  
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.  
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.  
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.  
K. HOVNIANIAN AT PITTSBORO, L.L.C.  
K. HOVNIANIAN AT PRADO, L.L.C.  
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNIANIAN AT RANDOLPH I, L.L.C.  
K. HOVNIANIAN AT RAPHO, L.L.C.  
K. HOVNIANIAN AT READINGTON II, L.L.C.  
K. HOVNIANIAN AT RED BANK, L.L.C.  
K. HOVNIANIAN AT RED BANK I, L.L.C.  
K. HOVNIANIAN AT RIVERBEND, L.L.C.  
K. HOVNIANIAN AT RODERUCK, L.L.C.  
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.  
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT SAYREVILLE, L.L.C.  
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNIANIAN AT SHELF COMPANY, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNIANIAN AT SOMERS POINT, L.L.C.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNIANIAN AT SPRINGCO, L.L.C.  
K. HOVNIANIAN AT SPRINGFIELD, L.L.C.  
K. HOVNIANIAN AT SUNSETS, L.L.C.  
K. HOVNIANIAN AT TEANECK, L.L.C.  
K. HOVNIANIAN AT THE CROSBY, L.L.C.  
K. HOVNIANIAN AT THE GABLES, L.L.C.  
K. HOVNIANIAN AT THE PRESERVE, L.L.C.  
K. HOVNIANIAN AT THE THOMPSON RANCH, L.L.C.  
K. HOVNIANIAN AT TOWNGATE, L.L.C.  
K. HOVNIANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNIANIAN AT UNION TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNIANIAN AT VINELAND, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT WASHINGTON, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT WAYNE IX, L.L.C.  
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNIANIAN AT WOOLWICH I, L.L.C.  
K. HOVNIANIAN AT YONKERS I, L.L.C.  
K. HOVNIANIAN AT YONKERS II, L.L.C.  
K. HOVNIANIAN AT YONKERS III, L.L.C.  
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNIANIAN COMPANIES, L.L.C.  
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN FIRST HOMES, L.L.C.  
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNIANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.  
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNIANIAN GREAT WESTERN HOMES, L.L.C.  
K. HOVNIANIAN HOLDINGS NJ, L.L.C.  
K. HOVNIANIAN HOMES AT CAMERON STATION, L.L.C.  
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 LAUREL HIGHLANDS, 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 RUSSET, L.L.C.  
K. HOVNIANIAN HOMES OF D.C., L.L.C.  
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.  
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.  
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, L.L.C.  
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNIANIAN INVESTMENTS, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.  
K. HOVNIANIAN OHIO REALTY, L.L.C.  
K. HOVNIANIAN OSTER HOMES, L.L.C.  
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNANIAN SUMMIT HOMES, L.L.C.  
K. HOVNANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNANIAN T&C INVESTMENT, L.L.C.  
K. HOVNANIAN T&C MANAGEMENT CO., L.L.C.  
K. HOVNANIAN WINDWARD HOMES, L.L.C.  
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 DULLES DISCOVERY CONDOMINIUM, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT HEMET, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT MENIFEE VALLE, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, 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, L.L.C.  
K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
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M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, L.L.C.  
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M&M AT HERITAGE WOODS, L.L.C.  
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M&M AT MORRISTOWN, L.L.C.  
M&M AT ROBERT MORRIS, L.L.C.  
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M&M AT SPARTA, L.L.C.  
M&M AT SPINNAKER POINTE, L.L.C.  
M&M AT SPRUCE HOLLOW, L.L.C.  
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MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.  
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- 4.1 Indenture, dated as of August 8, 2005, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association, as trustee (filed herewith).
- 4.2 Registration Rights Agreement, dated as of August 8, 2005, by and among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries and Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. on behalf of themselves and the several other initial purchasers (filed herewith).
- 4.3 Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005.(12)
- 5.1 Opinion of Simpson Thacher & Bartlett LLP (filed herewith).
- 10.1 Fifth Amended and Restated Credit Agreement, dated June 14, 2005 (filed herewith).
- 10.2 Amended and Restated Guaranty and Suretyship Agreement, dated June 14, 2005 (filed herewith).
- 10.3 Description of Management Bonus Arrangements.(6)



- 10.4 Description of Savings and Investment Retirement Plan.(2)
- 10.5 1999 Stock Incentive Plan (as amended and restated).(9)
- 10.6 1983 Stock Option Plan (as amended and restated March 8, 2002).(7)
- 10.7 Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(2)
- 10.8 Management Agreement dated December 15, 1985 for the management of properties by K. Hovnanian Investment Properties, Inc.(6)
- 10.9 Description of Deferred Compensation Plan.(6)
- 10.10 Senior Executive Short-Term Incentive Plan (as amended and restated).(10)
- 10.11 Third Amendment to First Restated Revolving Credit Agreement dated as of August 3, 2004 among K. Hovnanian Mortgage, Inc., and K. Hovnanian American Mortgage, LLC., Guaranty Bank, Bank of America NA, J.P. Morgan Chase Bank, Comerica Bank, National City Bank of Kentucky, U S Bank N A, Colonial Bank NA, and Washington Mutual Bank FA (Warehouse Agreement).(11)
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 23.1 Consent of Simpson Thacher & Bartlett LLP (contained in Exhibit 5.1).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Powers of Attorney of the Board of Directors of K. Hovnanian Enterprises, Inc. (included on signature page).
- 24.2 Powers of Attorney of the Board of Directors of Hovnanian Enterprises, Inc. (included on signature page).
- 24.3 Powers of Attorney of the Board of Directors of the Registrants (as listed on the Schedule of Subsidiary Registrants) (included on signature page).
- 25.1 Statement of Eligibility of Trustee under the Indenture filed as Exhibit 4.1 hereto (filed herewith).
- 99.1 Form of Letter of Transmittal (filed herewith).
- 99.2 Form of Letter to Dealers, Commercial Banks, Trust Companies and Other Nominees (filed herewith).
- 99.3 Form of Letter to Clients (filed herewith).
- 99.4 Form of Notice of Guaranteed Delivery (filed herewith).

- 
- (1) Incorporated by reference to Exhibits to the Registration Statement (No. 333-106761) on Form S-3 of Hovnanian Enterprises, Inc.
  - (2) Incorporated by reference to Exhibits to the Registration Statement (No. 2-85198) on Form S-1 of Hovnanian Enterprises, Inc.
  - (3) Incorporated by reference to Exhibit 3.2 to the Registration Statement (No. 001-08551) on Form 8-A of Hovnanian Enterprises, Inc.
  - (4) Incorporated by reference to Exhibits to the Registration Statement (No. 333-125738) on Form S-3 of Hovnanian Enterprises, Inc.

- (5) Incorporated by reference to Exhibit 3(c) to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended January 31, 2004.
- (6) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2003.
- (7) Incorporated by reference to Exhibits to the Annual Report on Form 10-K for the year ended October 31, 2002 of the Registrant.
- (8) Incorporated by reference to Exhibits to the Registration Statement (No. 333-122175) on Form S-4 of Hovnanian Enterprises, Inc.
- (9) Incorporated by reference to Appendix B of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (10) Incorporated by reference to Appendix A of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (11) Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q for the quarter ended July 31, 2004 of Hovnanian Enterprises, Inc.
- (12) Incorporated by reference to Exhibits to the Current Report on Form 8-K of Hovnanian Enterprises, Inc., filed on July 13, 2005.

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**K. HOVNANIAN ENTERPRISES, INC.,**  
as Issuer

**HOVNANIAN ENTERPRISES, INC.**  
and  
the other Guarantors party hereto

and

**WACHOVIA BANK, NATIONAL ASSOCIATION,**  
as Senior Trustee

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**Indenture**

**Dated as of August 8, 2005**

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**6.25% Senior Notes Due 2016**

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| <a href="#">EXHIBIT G</a> | <a href="#">Institutional Accredited Investor Certificate</a> |
| <a href="#">EXHIBIT H</a> | <a href="#">Certificate of Beneficial Ownership</a>           |
| <a href="#">EXHIBIT I</a> | <a href="#">Regulation S Temporary Global Note Legend</a>     |

INDENTURE, dated as of August 8, 2005, 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 WACHOVIA BANK, NATIONAL ASSOCIATION, as Senior Trustee (the “**Senior Trustee**”).

## RECITALS

The Issuer has duly authorized the execution and delivery of the Indenture to provide for the issuance of up to \$300,000,000 aggregate principal amount of the Issuer’s 6.25% Senior Notes Due 2016, and, if and when issued, any Initial Additional Notes (together with any Exchange Notes issued therefor as provided herein, the “**Notes**”). All things necessary to make the Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Senior Trustee, the valid obligations of the Issuer as hereinafter provided.

In addition, the Guarantors party hereto have duly authorized the execution and delivery of the Indenture as guarantors of the Notes. All things necessary to make the Indenture a valid agreement of each Guarantor, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the 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 Senior Trustee, the valid obligation of such Guarantor as hereinafter provided.

This Indenture is subject to, and will be governed by, the provisions of the Trust Indenture Act that are required to be a part of, and govern indentures qualified under, the Trust Indenture Act.

## THIS INDENTURE WITNESSETH

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

### ARTICLE 1 DEFINITIONS AND INCORPORATION BY REFERENCE

#### *Section 1.01. Definitions.*

“**Acquired Indebtedness**” means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or

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

“**Additional Interest**” means additional interest or liquidated damages owed to the Holders pursuant to a Registration Rights Agreement.

“**Additional Notes**” means any notes of the Issuer issued under the Indenture in addition to the Original Notes, including any Exchange Notes issued in exchange for such Additional Notes, having the same terms in all respects as the Original Notes except that interest will accrue on the Additional Notes from their date of issuance.

“**Affiliate**” means, when used with reference to a specified Person, any Person 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,

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such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (b) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

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

- (a) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,
- (b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (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 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,
- (e) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by Section 4.14 hereof, or
- (f) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business.

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

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

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“**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.

“**Board Resolution**” means a resolution duly adopted by the Board of Directors which, as of the date of any certification thereof, remains in full force and effect.

“**Business Day**” means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the city where the Corporate Trust Office of the Senior 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.

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

“**Cash Equivalents**” means

- (a) U.S. dollars;
- (b) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;
- (c) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers’ acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess



of \$500 million;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) entered into

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with any financial institution meeting the qualifications specified in clause (c) above;

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

(f) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (e).

“**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;

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

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

(e) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

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

“**Commission**” means the Securities and Exchange Commission.

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

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

“**Consolidated Adjusted Tangible Assets**” of the Company as of any date means the Consolidated Tangible Assets of the Company, the Issuer and the Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date less any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP.

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

(a) income taxes,

(b) Consolidated Interest Expense,

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

(d) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, *minus*

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

“**Consolidated Fixed Charge Coverage Ratio**” means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the “**Four Quarter Period**”) for which financial results have been reported immediately preceding the determination date (the “**Transaction Date**”), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, “**Consolidated Cash Flow Available for Fixed Charges**” and “**Consolidated**

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**Interest Incurred**” shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

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

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

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

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

(a) interest on Indebtedness in respect of which a *pro forma* calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction

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Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and

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

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

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

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

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

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

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

decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (i) the acquisition of securities, or extinguishment of Indebtedness, of the Company or any Restricted Subsidiary or (ii) any Asset Disposition by the Company or any Restricted Subsidiary,

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

(f) any non-recurring expense recorded by the Company, the Issuer or any Restricted Subsidiary in connection with a merger accounted for as a “pooling-of-interests” transaction;

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

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

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

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

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“**Corporate Trust Office**” means the office of the Senior Trustee at which the corporate trust business of the Senior Trustee is principally administered, which at the date of the Indenture is located at 21 South Street, Morristown, NJ 07960.

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

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

“**Currency Agreement**” of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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

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

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

“**Designation Amount**” has the meaning provided in the definition of Unrestricted Subsidiary.

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

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the Notes or (b) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (i) debt securities or (ii) any Capital Stock referred to in (a) above, in each case, at any time prior to the final maturity date of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control occurring prior to the final maturity date of the Notes shall not constitute Disqualified Stock if the change in control provision applicable to such Capital Stock are no more favorable to such holders than Section 4.12 hereof and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company’s repurchase of the Notes as are required pursuant to Section 4.12 hereof.

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

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

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

“**Event of Default**” has the meaning ascribed to such term in Section 5.01.

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

“**Exchange Notes**” means the notes of the Issuer issued under the Indenture in exchange for, and in an aggregate principal amount equal to, the Initial Notes or any Initial Additional Notes in compliance with the terms of a Registration Rights Agreement and containing terms substantially identical to the Initial Notes or any Initial Additional Notes (except that (i) such Exchange Notes will be registered under the Securities Act and will not be subject to transfer restrictions or bear the Restricted Legend, and (ii) the provisions relating to Additional Interest will be eliminated).

“**Exchange Offer**” means an offer by the Issuer to the Holders of the Initial Notes or any Initial Additional Notes to exchange such Notes for Exchange Notes, as provided for in a Registration Rights Agreement.

“**Exchange Offer Registration Statement**” means the Exchange Offer Registration Statement as defined in a Registration Rights Agreement.

“**expiration date**” has the meaning ascribed to it in Section 3.04(b) hereof.

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“**Extinguished Covenants**” has the meaning ascribed to such term in Section 4.18 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.

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

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

“**Guarantee**” means the guarantee of the Notes by each Guarantor under the 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, KHL, Inc. and K. Hovnanian Poland, sp.zo.o. and (b) each of the Company’s Subsidiaries which 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**” or “**Holder of Notes**” means the Person in whose name a Note is registered in the books of the Registrar for the Notes.

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

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

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

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

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

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

*provided*, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) above at such date, net of an unamortized

discount to be accounted for as Interest Expense in accordance with GAAP, and (iii) in the case of clause (d) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

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

**“Initial Additional Notes”** means Additional Notes of the Issuer issued under the Indenture in an offering not registered under the Securities Act and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange thereof.

**“Initial Notes”** means the notes of the Issuer issued under the Indenture on the Issue Date and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange thereof.

**“Initial Purchasers”** means the initial purchasers party to a purchase agreement with the Issuer, the Company and the Guarantors party thereto relating to the sale of the Initial Notes by the Issuer.

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

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

**“Interest Expense”** of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with GAAP, would be set opposite the caption “interest expense” or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense (other than interest and other charges amortized to cost of sales)),

and (b) all interest actually paid by the Company or a Restricted Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; *provided*, that Interest Expense shall exclude any expense associated with the complete 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 January 15 and July 15 of each year, commencing January 15, 2006.

**“Interest Protection Agreement”** of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Indenture.

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

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

**“Issue Date”** means August 8, 2005.

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

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“**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**” means, in connection with any optional redemption of any Note pursuant to Section 3.01 hereof, the excess, if any, of: (a) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the Business Day preceding the date of such redemption) plus 0.50%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over (b) the principal amount of the Note being redeemed.

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

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

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

“**Net Cash Proceeds**” means with respect to an Asset Disposition, cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise (including any cash received upon sale or disposition of such note or receivable), but only as and when received), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the Property disposed of in such Asset Disposition or received in any other non-cash form unless and until such non-cash consideration is converted into cash therefrom, in each case, net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state and local taxes required to be accrued as a liability under GAAP as a consequence of such Asset Disposition, and in each case net of a reasonable reserve for the after-tax cost of any indemnification or other payments (fixed and contingent) attributable to the seller’s indemnities or other obligations to the purchaser undertaken by the Company, the Issuer or any of its Restricted Subsidiaries in connection with such

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Asset Disposition, and net of all payments made on any Indebtedness which is secured by or relates to such Property, in accordance with the terms of any Lien or agreement upon or with respect to such Property or which must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

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

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

“**Notes**” has the meaning ascribed to such term in the Recitals.

“**offer**” has the meaning ascribed to such term in Section 3.04(a).

“**Offer to Purchase**” has the meaning ascribed to such term in Section 3.04(a).

“**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

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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 Senior Trustee.

“**Original Notes**” means the Initial Notes and any Exchange Notes issued in exchange therefor.

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

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

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

“**Permitted Indebtedness**” means

- (a) Indebtedness under Credit Facilities which does not exceed \$1.0 billion principal amount outstanding at any one time;
- (b) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;
- (c) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; *provided, however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;
- (d) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related

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Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

- (e) Purchase Money Indebtedness;
- (f) Capitalized Lease Obligations;
- (g) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;
- (h) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;
- (i) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business; and
- (j) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (j), does not exceed \$50 million aggregate principal amount outstanding at any one time.

“**Permitted Investment**” means

- (a) Cash Equivalents;
- (b) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Indenture;
- (d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of the Indenture;

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- (e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;
- (f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided, however*, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

(g) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;

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

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

(j) Investments in an aggregate amount outstanding not to exceed \$10 million.

“Permitted Liens” means

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

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

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security,

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

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

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

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

(h) Liens securing Indebtedness incurred pursuant to clause (h) or (i) of the definition of Permitted Indebtedness,

(i) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Indenture; *provided*, that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (i) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided*, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,

(k) Liens securing Purchase Money Indebtedness; *provided*, that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness,

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

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

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided*, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,

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

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



Restricted Subsidiary with or held by such lender or lenders or its Affiliates,

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

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

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced,

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

(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

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into or consolidated with the Company or the Subsidiary or acquired by the Company or its Subsidiaries,

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

(w) Liens existing on the Issue Date and any extensions, renewals or replacements thereof, and

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

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

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

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

**"purchase amount"** has the meaning ascribed to it in Section 3.04(b) hereof.

**"purchase date"** has the meaning ascribed to it in Section 3.04(b) hereof.

**"Purchase Money Indebtedness"** means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; *provided, however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

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

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**"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 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 January 1 or July 1 (whether or not a Business Day) next 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 (to the extent not Permitted Indebtedness) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of the Indenture, but only to the extent that:

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

(b) the Refinancing Indebtedness is scheduled to mature either (i) no earlier than the Indebtedness being refunded, refinanced or extended or (ii) after the maturity date of the Notes,

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

(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended.

“**Register**” has the meaning ascribed to such term in Section 2.09.

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

“**Registration Rights Agreement**” means (i) the Registration Rights Agreement dated the Issue Date among the Company, the Issuer, the other

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Guarantors party thereto and the Initial Purchasers with respect to the Initial Notes, and (ii) with respect to any Initial Additional Notes, any registration rights agreements among the Company, the Issuer, the other Guarantors party thereto and the initial purchasers party thereto relating to rights given by the Issuer to the purchasers of Initial Additional Notes to register such Initial Additional Notes or exchange them for Exchange Notes registered under the Securities Act.

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

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

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

“**Regulation S Temporary Global Note**” means an Regulation S Global Note that bears the Regulation S Temporary Global Note Legend.

“**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 Senior Trustee, means any officer of the Senior Trustee with direct responsibility for the administration of the trust created by this Indenture.

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

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

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

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

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

“**Restricted Period**” means the relevant 40-day “distribution compliance period” as 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 and sold 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.

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

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

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

“**Shelf Registration Statement**” means the Shelf Registration Statement as defined in a Registration Rights Agreement.

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

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

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

“**Treasury Rate**” means, in connection with the calculation of any Make-Whole Amount with respect to any Note, 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), equal to the then remaining maturity of the Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

“**Trust Indenture Act**” 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.

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

12th\* Street Residential, Ltd., Brightbeach Development, Ltd., Brightchase, Ltd., Brighton Homes at Walden Management, L.L.C., Brighton

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Homes at Walden, Ltd., Cambridge Mortgage, L.L.C., Cobblestone Square, L.L.C., Eastern Title Agency, Inc., Founders Title Agency of Maryland, L.L.C., Founders Title Agency, Inc., Gosling Road Development Co., Inc., Governor’s Abstract Co., Inc., Heritage Pines, L.L.C., Hexter Fair Land Title Company I, Inc., Homebuyer’s Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services II, Inc., Hovnanian Financial Services IV, Inc., Hovstone Holdings, L.L.C., Hudson Pointe Joint Development, L.L.C., Hunter Mill Village, L.L.C., Inglewood North, L.L.C., Jaeger Road 530, K. Hovnanian American Mortgage, L.L.C., K. Hovnanian at Hudson Pointe, L.L.C., K. Hovnanian at Lake Rancho Viejo, L.L.C., 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 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 Chesterfield Investment, L.L.C., K. Hovnanian Cooperative, Inc., K. Hovnanian Hudson Pointe Investments, L.L.C., K. Hovnanian Investment Properties, Inc., K. Hovnanian Investments II, L.L.C., K. Hovnanian Mortgage, Inc., K. Hovnanian Poland, sp .z.o.o., K. Hovnanian Properties of Red Bank, Inc., K. Hovnanian T&C Homes at Florida, L.L.C., K. Hovnanian T&C Homes at Illinois, L.L.C., K. Hovnanian T&C Homes at Minnesota, L.L.C., K. Hovnanian Title Reinsurance, Inc., K. Hovnanian Venture I, L.L.C., K. Hovnanian’s Four Seasons at Beaumont, L.L.C., Kings Crossing at Montgomery, L.L.C., Laurel Highlands, LLC, M&M at Monroe Woods, L.L.C., McKinley Court, L.L.C., MM-Beachfront North I, L.L.C., MM-Beachfront North II, L.L.C., Mshov Holding Company, L.L.C., New Homebuyers Title Co. (Virginia) L.L.C., New Homebuyers Title Company, L.L.C., New Homebuyers Title Company, L.L.C. (West Virginia), North Manatee, L.L.C., NRD, L.L.C., Old City Development, Inc, Old City Joint Development, L.L.C., Park Title Company, LLC, Parkway Development Company, PI Investments I, L.L.C., PI Investments II, L.L.C., Pinnacle Mortgage Group, Inc., Preston Parker, RR Houston Developers, LLC, RR Houston Development, L.P., RR Houston Investment, L.P., RR Houston Investors, LLC, Thompson Ranch Joint Development, L.L.C., Title Group II, L.L.C., Town Homes at Montgomery, L.L.C., WHI-Republic, LLC and Wright Farm, LLC.

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

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Section 4.07 hereof to make the Restricted Payment deemed to have been made pursuant to clause (a), and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any

Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under Section 4.06(a) hereof. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Senior Trustee by the filing with the Senior Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; *provided, however*, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

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

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- (a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (b) "herein," "hereof" and other words of similar import refer to the Indenture as a whole and not to any particular Section, Article or subdivision;
- (c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to the Indenture unless otherwise indicated;
- (d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and
- (e) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Issuer may classify such transaction as it, in its sole discretion, determines.

## ARTICLE 2 THE NOTES

*Section 2.01. Form, Dating and Denominations; Legends.* (a) The Notes and the Senior Trustee's certificate of authentication will be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Note annexed as Exhibit A constitute and are hereby expressly made a part of the Indenture. The Notes may have notations, legends or endorsements required by this Indenture, law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note will be dated the date of its authentication. The Notes will be issuable in denominations of \$1,000 in principal amount and any multiple of \$1,000 in excess thereof.

- (b) (i) Except as otherwise provided in paragraph (c) or Section 2.09(b)(iv) or Sections 2.10(b)(iii), (b)(v), or (c), each Initial Note or Initial Additional Note will bear the Restricted Legend.
  - (ii) Each Global Note, whether or not an Original Note or Additional Note, will bear the DTC Legend.
  - (iii) Each Regulation S Temporary Global Note will bear the Regulation S Temporary Global Note Legend.
  - (iv) Initial Notes and Initial Additional Notes offered and sold in reliance on Regulation S will be issued as provided in Section 2.11(a).

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

(vi) Exchange Notes will be issued, subject to Section 2.09(b), in the form of one or more Global Notes.

(c) (i) 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(k) under the Securities Act (or a successor provision) and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, or

(ii) after an Initial Note or any Initial Additional Note is

(A) sold pursuant to an effective registration statement under the Securities Act, filed pursuant to a Registration Rights Agreement or otherwise, or

(B) is validly tendered for an Exchange Note pursuant to an Exchange Offer

then, the Issuer may instruct the Senior 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 Senior Trustee will 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 the Indenture and such legend.

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

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

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

- (i) Initial Notes for original issue in the aggregate principal amount not to exceed \$300,000,000,
- (ii) Initial Additional Notes from time to time for original issue in aggregate principal amounts specified by the Issuer, and
- (iii) Exchange Notes from time to time for issue in exchange for a like principal amount of Initial Notes or Initial Additional Notes

after the following conditions have been met:

- (A) Receipt by the Senior 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, Initial Additional Notes or Exchange Notes,
  - (3) in the case of Initial Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,
  - (4) whether the Notes are to be issued as one or more Global Notes or Certificated Notes, and
  - (5) other information the Issuer may determine to include or the Senior Trustee may reasonably request.

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

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(C) In the case of Exchange Notes, effectiveness of an Exchange Offer Registration Statement and Consummation (as defined in the Registration Rights Agreement) of the exchange offer thereunder (and receipt by the Senior Trustee of an Officers' Certificate to that effect). Initial Notes or Initial Additional Notes exchanged for Exchange Notes will be cancelled by the Senior Trustee, who will dispose of them in accordance with its normal procedures or the written instructions of the Issuer.

*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 Senior Trustee may appoint an Authenticating Agent, in which case each reference in the Indenture to the Senior Trustee in respect of the obligations of the Senior Trustee to be performed by that Agent will be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case, the Issuer and the Senior Trustee will enter into an appropriate agreement with the Agent implementing the provisions of the Indenture relating to the obligations of the Senior Trustee to be performed by the Agent and the related rights.

(b) The Issuer will require each Paying Agent other than the Senior Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the Holders or the Senior Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest and Additional Interest, if any, on, the Notes and will promptly notify the Senior 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 Senior Trustee and account for any funds disbursed, and the Senior 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 Senior Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent will have no further liability for the money so paid over to the Senior Trustee.

*Section 2.04. Replacement Notes.* If a mutilated Note is surrendered to the Senior Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer will issue and the Senior Trustee will authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of the Indenture. If required by the Senior Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Senior Trustee and the Issuer to protect the Issuer and the Senior Trustee from any loss they may suffer if a Note is replaced. The Issuer may charge the Holder for the expenses of the Issuer and the Senior 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 Senior Trustee except for:

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

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Senior Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a *bona fide* purchaser; and

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

(b) A Note does not cease to be outstanding because the Issuer or one of its Affiliates holds the Note; *provided*, that in determining whether the Holders of the requisite principal amount of the outstanding Notes have given or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder, Notes owned by the Issuer or any Affiliate of the Issuer will be disregarded and deemed not to be outstanding (it being understood that in determining whether the Senior Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which the Senior Trustee knows to be so owned will be so disregarded). Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Senior 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 Senior Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any temporary

Notes, the Issuer will execute and the Senior Trustee will authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes will be entitled to the same benefits under the Indenture as definitive Notes.

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

*Section 2.08. CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Senior Trustee will use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer will promptly notify the Senior Trustee of any change in the CUSIP or ISIN numbers.

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

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

(ii) Each Global Note will be delivered to the Senior Trustee as custodian for the Depositary. Transfers of a Global Note (but not a beneficial interest therein) will be limited to transfers thereof in whole, but not in part, to the 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 Senior Trustee by or on behalf of the

(iii) Agent Members will have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository, and the Depository may be treated by the Issuer, the Senior Trustee and any agent of the Issuer or the Senior Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depository or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under the Indenture or the Notes, and nothing herein will impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depository (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 Senior 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 Senior Trustee will promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Senior Trustee by the Depository, and thereupon the Global Note will be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor will not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor will bear the Restricted Legend; *provided*, that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Senior Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

(d) A Holder may transfer a Note (or a beneficial interest therein) to another Person or exchange a Note (or a beneficial interest therein) for another

Note or Notes of any authorized denomination by presenting to the Senior 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 Senior Trustee will 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 Senior Trustee for the purpose; *provided*, that

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

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

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

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

(e) (i) *Global Note to Global Note*. If a beneficial interest in a Global Note is transferred or exchanged for a beneficial interest in another Global Note, the Senior Trustee will (x) record a decrease in the principal amount of the Global Note being transferred or exchanged equal to the principal amount of such transfer or exchange and (y) record a like increase in the principal amount of the other Global Note. Any beneficial interest in one Global Note that is transferred to a Person who takes delivery in the form of an interest in another Global Note, or exchanged

for an interest in another Global Note, will, upon transfer or exchange, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer and exchange restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

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

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

(iv) *Certificated Note to Certificated Note*. If a Certificated Note is transferred or exchanged for another Certificated Note, the Senior Trustee will (x) cancel the Certificated Note being transferred or exchanged, (y) deliver one or more new Certificated Notes in authorized

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

in 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

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 Senior Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

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

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

(i) No certification is required.

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

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Senior 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 Senior 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 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 Senior 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)

(i) after such Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision); *provided*, that the Issuer has provided the Senior Trustee with a certificate to that effect, and the Issuer may require from any Person requesting a transfer or exchange in reliance upon this clause (i) an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate; or

(ii) (A) sold pursuant to an effective registration statement under the Securities Act, filed pursuant to a Registration Rights Agreement or otherwise (B) which is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer.

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

(d) The Senior Trustee will retain copies of all certificates, opinions and other documents received in connection with the transfer or exchange of a Note (or a beneficial interest therein), and the Issuer will have the right to inspect and make copies thereof at any reasonable time upon written notice to the Senior Trustee.



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

(b) An owner of a beneficial interest in a Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to the Senior Trustee (and the Senior Trustee will accept) a duly completed Certificate of Beneficial Ownership at any time after the Restricted Period (it being understood that the Senior 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 Senior 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 Senior 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 Senior 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.* The Notes will be redeemable, in whole, at any time, or in part, from time to time, at the option of the Issuer upon not less than 30 nor more than 60 days' notice at a redemption price equal to the sum of:

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

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- (b) the Make-Whole Amount.

The Senior Trustee shall have no responsibility in connection with the calculation of such redemption price.

*Section 3.02. Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes.

*Section 3.03. Method And Effect of Redemption.* (a) If the Issuer elects to redeem Notes, it must notify the Senior 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 Senior Trustee). If fewer than all of the Notes are being redeemed, the Officers' Certificate must also specify a record date not less than 15 days after the date of the notice of redemption is given to the Senior Trustee, and the Senior Trustee will select the Notes to be redeemed pro rata, or as nearly a pro rata basis as is practicable (subject to the procedures of DTC), unless such method is otherwise prohibited, in which case, by lot or by any other method the Senior Trustee in its sole discretion deems fair and appropriate, in denominations of \$1,000 principal amount and multiples thereof. The Senior 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 Senior 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 redemption may not be conditional.

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

- (i) the redemption date;
- (ii) the redemption price, including the portion thereof representing any accrued interest or Additional 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 will become due and payable on Notes called for redemption, and interest on Notes called for redemption will cease to accrue on and after the redemption date;
- (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

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redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion will 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 will cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note.

*Section 3.04. Offer to Purchase.* (a) An “**Offer to Purchase**” means an offer by the Issuer to purchase Notes as required by the Indenture. An Offer to Purchase must be made by written offer (the “**offer**”) sent to the Holders. The Issuer will notify the Senior Trustee at least 15 days (or such shorter period as is acceptable to the Senior Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer will be sent by the Issuer or, at the Issuer’s request, by the Senior Trustee in the name and at the expense of the Issuer.

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

- (i) the provision of the Indenture pursuant to which the Offer to Purchase is being made;
- (ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to the Indenture) (the “**purchase amount**”);
- (iii) the purchase price, including the portion thereof representing accrued interest and Additional 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;

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(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, at a minimum to include:

(A) the most recent annual and quarterly financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the Company,

(B) a description of material developments in the Company’s business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate *pro forma* financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

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

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

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

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

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

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Senior 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;

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

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

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

(c) Prior to the purchase date, the Issuer will accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Senior Trustee all Notes so accepted together with an Officers’ Certificate specifying which Notes have been accepted for purchase. On the purchase date, the

purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date. The Senior Trustee will promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

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

#### ARTICLE 4 COVENANTS

*Section 4.01. Payment of Notes.* (a) The Issuer agrees to pay the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes on the dates and in the manner provided in the Notes and the Indenture. The Issuer shall pay Additional Interest in the amounts set forth in the Registration Rights Agreement. Not later than 9:00 A.M. (New York City time) on the due date of any principal of, premium, if any, or interest and Additional Interest, if any, on, any Notes, or any redemption or purchase price of the Notes,

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the Issuer will deposit with the Senior Trustee (or Paying Agent) money in immediately available funds sufficient to pay such amounts; *provided*, that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it will, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in the Indenture. In each case the Issuer will promptly notify the Senior Trustee of its compliance with this paragraph.

(b) An installment of principal, premium, if any, or interest and Additional Interest, if any, will be considered paid on the date due if the Senior 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 and Additional Interest, if any, will be considered paid on the due date only if paid to the Holders.

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

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

*Section 4.02. Maintenance of Office or Agency.* The Company and the Issuer will maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company and the Issuer in respect of the Notes and the Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Senior Trustee as such office of the Issuer and the Company. The Issuer will give prompt written notice to the Senior 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 Senior Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Senior Trustee.

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

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

*Section 4.04. Payment of Taxes and Other Claims.* The Company will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

*Section 4.05. Maintenance of Properties and Insurance.* (a) The Company will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; *provided*, that nothing in this Section prevents the Company or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

(b) The Company will provide or cause to be provided, for itself and its Restricted Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which the Company and its Restricted Subsidiaries are then conducting business.

indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an “**incurrence**”) any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

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

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes, and
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Indenture.

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

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

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

Section 4.07. *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 after May 4, 1999 does not exceed the sum of:

(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company’s fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), *plus*

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, *plus*

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), *plus*

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after the Issue Date, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, *plus*

(E) \$17 million, *minus*

(F) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (iii) of paragraph (b) below) made after February 1, 1999 through May 4, 1999.

(b) clauses (ii) and (iii) of paragraph (a) will not prohibit:

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

(ii) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and

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

*provided, however*, that each Restricted Payment described in clauses (i) and (ii) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of the immediately preceding paragraph.

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

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

*Section 4.08. 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, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such indebtedness is no longer secured by a Lien.

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

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the

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Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

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

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

except for:

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

(ii) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof; *provided*, that such amendments, modifications, restatements, renewals,

supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on 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 the Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,
- (vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Indenture,

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- (vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (ix) encumbrances or restrictions existing under or by reason of the Indenture or the Notes,
- (x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of the preceding paragraph,
- (xi) Liens permitted under the Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (xiii) customary provisions of any franchise, distribution or similar agreements,
- (xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this paragraph; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

*Section 4.10. Limitations on Dispositions of Assets.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to,

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

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

(b) The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (1) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (2) to the extent not so used, be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase or repayment.

(c) Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Notes in accordance with clause (2) of the preceding paragraph except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Offer to Purchase shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, does not exceed 5%

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of Consolidated Tangible Assets; *provided, however*, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

*Section 4.11. Guarantees By Restricted Subsidiaries.* Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer), KHL, Inc. and K. Hovnanian Poland, sp.zo.o.) 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 (subject to Section 6.03(b)) 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 Senior 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 and Additional 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 Senior 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. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Note must deliver at least ten days prior to the Repurchase Date written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; *provided, however*, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

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

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

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

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

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$10 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Senior 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,

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

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof,

(iv) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (*provided, however*, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by 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 the Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the “**Successor**”), is a corporation

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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 Senior Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture,

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

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

The foregoing provisions shall not apply to (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to 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 Senior Trustee and mail to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Senior Trustee and mail such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a “Management’s Discussion and Analysis of Results of Operations and Financial Condition” written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

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

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(c) All “obligors,” as that term is defined under the Trust Indenture Act, on the Notes, including the Issuer and the Guarantors, will comply with Section 314(a) of the Trust Indenture Act.

(d) Delivery of these reports and information to the Senior Trustee is for informational purposes only and the Senior 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 hereunder (as to which the Senior Trustee is entitled to rely exclusively on Officers’ Certificates).

*Section 4.16. Reports to Senior Trustee.* (a) The Company will deliver to the Senior Trustee within 120 days after the end of each fiscal year a written statement by the Company’s independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.



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

(c) All "obligors," as that term is defined under the Trust Indenture Act, on the Notes, including the Issuer and the Guarantors, will comply with Section 314(a) of the Trust Indenture Act. The Company will notify the Senior Trustee when any Notes are listed on any national securities exchange and of any delisting.

*Section 4.17. Notice of Other Defaults.* In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Senior 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. 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 the Indenture under this Article 4 (except for Sections 4.01, 4.02, 4.03, 4.04, 4.05, 4.08, 4.11 (subject to

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Section 6.03(b)), 4.12, 4.14 (other than clause (iii) of the first paragraph thereof), 4.15, 4.16, 4.17 and this Section 4.18, will terminate (such terminated covenants, the "**Extinguished Covenants**") and cease to have any further effect from and after the first date when the Notes issued under the Indenture are rated Investment Grade; *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 Extinguished Covenants shall be reinstated.

(b) In the event of any such reinstatement of the obligation to comply with the Extinguished Covenants, no action taken or omitted to be taken by the Issuer, the Company or any of its Subsidiaries prior to such reinstatement shall give rise to a Default or Event of Default under the Indenture upon reinstatement; *provided*, that with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made after May 4, 1999 will be calculated as though Section 4.07 hereof had been in effect during the entire period after such date.

## 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, or Additional Interest, if any, with respect to, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;
- (ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
- (iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees or the 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 \$10 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 \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company, 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, or

(ix) any Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and 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 the Indenture and the Guarantee).

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

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) above), shall have occurred and be continuing under the Indenture, the Senior 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 Senior 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) above occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Senior 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 Senior Trustee a sum sufficient to pay all matured installments of interest and Additional 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 and Additional 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 Senior Trustee and all other amounts

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due the Senior 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 and Additional 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 Senior 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 Senior 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 Senior 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 Senior Trustee, then and in every such case the Issuer, the Senior 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 Senior 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 Senior Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to the Senior Trustee by the Issuer, a Paying Agent or any Holder.

*Section 5.02. Other Remedies.* If an Event of Default occurs and is continuing, the Senior 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 or Additional Interest, if any, on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Senior 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 Senior 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 and Additional Interest, if any, on, or the principal of, the Notes. Upon any such waiver, the

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Issuer, the Senior 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 outstanding Notes shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Senior Trustee, or exercising any trust or power conferred on the Senior Trustee with respect to the Notes; *provided, however*, that (subject to the provisions of Section 7.01) the Senior Trustee shall have the right to decline to follow any such direction if the Senior Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Senior 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 Senior Trustee in personal liability.

*Section 5.05. Application of Moneys Collected by Senior Trustee.* Any moneys collected by the Senior Trustee pursuant to this Article respect to outstanding Notes shall be applied in the order following, at the date or dates fixed by the Senior 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 Senior Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Senior Trustee pursuant to Section 7.07 except as a result of its negligence or bad faith;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest or Additional Interest, if any, on the Notes, in the order of the maturity of the installments of such interest or Additional Interest, if any, with interest (to the extent that such interest has been collected by the Senior Trustee) upon the overdue installments of interest and Additional 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, interest and Additional Interest, if

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any, with interest on the overdue principal and (to the extent that such interest has been collected by the Senior Trustee) upon overdue installments of interest and Additional 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 and Additional Interest, if any, without preference or priority of principal over interest or Additional Interest, if any, or of interest or Additional Interest, if any, over principal, or of interest over Additional Interest, if any, or of any installment of interest, if any, or Additional Interest, if any, over any other installment of interest or Additional Interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest and Additional 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 of 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 Senior 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 Senior Trustee to institute such action, suit or proceeding in its own name as Senior Trustee hereunder and shall have offered to the Senior Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior 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 Senior 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

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of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note to receive payment of the principal of, premium, if any, and interest and Additional 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 Senior Trustee.* In case of an Event of Default hereunder, the Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Senior 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 Senior Trustee for any action taken or omitted by it as Senior 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

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such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Senior 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 or Additional 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 Senior Trustee an annual statement regarding compliance with the Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Senior Trustee prompt written notice of the occurrence of any Default or Event of Default.

(b) The Senior Trustee shall, within 90 days after the occurrence of a default known to the Senior 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) and (ix) 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 and Additional Interest, if any, on any of the Notes, or in the payment or satisfaction of a purchase obligation, the Senior 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 Senior 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 or Additional Interest, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the

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covenants or the performance of the Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Senior Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

*Section 5.12. Senior Trustee May File Proof of Claim.* The Senior 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 Senior Trustee (including any claim for the compensation, expenses, disbursements and advances of the Senior Trustee, its agents and counsel, and any other amounts due the Senior 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 Senior Trustee and, if the Senior Trustee consents to the making of such payments directly to the Holders, to pay to the Senior Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Senior Trustee, its agent and counsel, and any other amounts due the Senior Trustee hereunder. Nothing in the Indenture will be deemed to empower the Senior 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 Senior 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 and Additional Interest, if any, 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 Senior Trustee, the Issuer will pay to the Senior 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 and Additional 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 and Additional 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 Senior Trustee, its agent,

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attorneys and counsel, and any expenses or liabilities incurred by the Senior Trustee hereunder other than through its negligence or bad faith.

If the Issuer shall fail forthwith to pay such amounts upon such demand, the Senior 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 Senior 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 Senior Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and Additional 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 Senior 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 Senior Trustee, and, if the Senior Trustee shall consent to the making of such payments directly to the Holders, to pay to the Senior 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.

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All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Senior 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 Senior 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 Senior 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 or Additional Interest, if any, 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 Senior 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 Senior 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 Senior 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 Senior 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 Senior 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

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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 Senior 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 Senior 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 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 Senior 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 and Additional Interest, if any, 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 Senior 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 Senior Trustee, subject to the provisions of Article 7, 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 Senior 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.

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*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 the Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Indenture without any further action on the part of the Senior Trustee or any Holder of Notes.

(b) Upon the release of the guarantee by a Guarantor (including, for the avoidance of doubt, the Issuer after it ceases to be the Issuer pursuant to Article 10) other than the Company under all then outstanding Applicable Debt, at any time after the suspension of the Extinguished Covenants pursuant to Section 4.18 hereof, the Guarantee of such Guarantor under the Indenture will be released and discharged in respect of the Notes at such time and no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor in respect of the Notes; *provided*, that the foregoing shall not apply to any release of any Guarantor done in contemplation of, or in connection with, any cessation of the Notes being rated Investment Grade. In the event that (i) any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed) or (ii) the Extinguished Covenants cease to be suspended pursuant to Section 4.18 hereof then any such released Guarantor and any other Restricted Subsidiary of Hovnanian then existing (other than KHL, Inc., the Issuer (for so long as it remains the Issuer) and K. Hovnanian Poland, sp.zo.o.) will Guarantee the Notes on the terms and conditions set forth in this Indenture. For purposes of this clause (b), Applicable Debt secured by a Lien on such Restricted Subsidiary's Property or issued by such Restricted Subsidiary shall be deemed guaranteed by such Restricted Subsidiary.

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

*Section 6.04. 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 substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the

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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 Senior 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 Senior 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 or Additional 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 will be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

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

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payable by the Guarantors hereunder forthwith on demand by the Senior Trustee or the Holders.

*Section 6.10. Guarantors as “obligors” for Provisions Included in the Indenture Pursuant to the Trust Indenture Act.* Each provision included in the Indenture which is required to be included by any of Sections 310 to 317 of the Trust Indenture Act, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the Trust Indenture Act, and which applies to an “obligor,” as that term is defined under the Trust Indenture Act, shall apply to each of the Guarantors.

ARTICLE 7  
THE SENIOR TRUSTEE

*Section 7.01. General.* (a) The duties and responsibilities of the Senior Trustee are as provided by the Trust Indenture Act and as set forth herein. Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of, or affording protection to, the Senior Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Senior Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into this Indenture against the Senior Trustee. In case an Event of Default has occurred and is continuing, the Senior 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 Senior Trustee.* Subject to Trust Indenture Act Sections 315(a) through (d):

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

(b) Before the Senior Trustee acts or refrains from acting, it may require an Officers’ Certificate or an Opinion of Counsel conforming

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to Section 11.05 and the Senior Trustee will 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 Senior Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

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

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

(g) No provision of the Indenture will require the Senior Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

*Section 7.03. Individual Rights of the Senior Trustee.* The Senior 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 Senior Trustee. Any Agent may do the same with like rights. However, the Senior Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

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

*Section 7.05. Reserved.*

*Section 7.06. Reports by Senior Trustee to Holders.* Within 60 days after each May 1, beginning with May 1, 2006, the Senior Trustee will 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 will pay the Senior Trustee compensation as agreed upon in writing for its services. The compensation of the Senior Trustee is not limited by any law on compensation of a trustee of an express trust. The Company will reimburse the Senior Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Senior Trustee, including the reasonable compensation and expenses of the Senior Trustee's agents and counsel.

(b) In addition to any other indemnity provided to the Senior Trustee hereunder, the Company will indemnify the Senior Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture and its duties under the Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in

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

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

*Section 7.08. Replacement of Senior Trustee.* (a) (i) The Senior 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 Senior Trustee by written notice to the Senior Trustee.

(iii) If the Senior 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 Senior Trustee and the appointment of a successor Senior Trustee.

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

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

(b) If the Senior Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Senior Trustee with the consent of the Issuer. Otherwise, if the Senior Trustee resigns or is removed, or if a vacancy exists in the office of Senior Trustee for any reason, the Issuer will promptly appoint a successor Senior Trustee. If the successor Senior Trustee does not deliver its written acceptance within 30 days after the retiring Senior Trustee resigns or is removed, the retiring Senior Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

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

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

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

*Section 7.09. Successor Senior Trustee by Merger.* If the Senior Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act will be the successor Senior Trustee with the same effect as if the successor Senior Trustee had been named as the Senior Trustee in the Indenture.

*Section 7.10. Eligibility.* The Indenture must always have a Senior 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 Senior Trustee will 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 Senior 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 and the Guarantees 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) below, and the Issuer, the Company and the Guarantors shall be deemed to have satisfied all of their respective obligations under the Notes, the Guarantees and this Indenture (and the Senior 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 of 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 and Additional 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 Senior Trustee, and the Issuer’s and the Guarantors’ obligations in connection therewith; (d) the Legal Defeasance provisions of this Indenture; (e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders that are beneficiaries with respect to property so deposited with the Senior 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, 4.13, clause (iii) of Section 4.14 and Article 6 (except for Sections 6.03 and 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 (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

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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) and 5.01(ix) 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 Senior 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 and Additional 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 Senior Trustee an Opinion of Counsel reasonably acceptable to the Senior 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 Holders of 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 Senior Trustee an Opinion of Counsel reasonably acceptable to the Senior Trustee confirming that the Holders of 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;

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(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 91<sup>st</sup> 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 the 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 Senior 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 Senior Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Senior Trustee, each stating that the conditions precedent provided for or relating to Legal Defeasance or Covenant Defeasance, as applicable, in the case of the Officer's Certificate, in clauses (a) through (f) and, in the case of the opinion of Counsel, in clauses (b) and (c) of this paragraph, 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 Senior Trustee (or other qualifying trustee, collectively, and solely for purposes of this Section 8.04, the "Senior 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 Senior 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 Senior 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, interest and Additional Interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Senior 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, interest and Additional 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 Senior 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 Senior 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 Senior Trustee or any paying agent, or then held by the Issuer, in trust for the payment of the principal, premium, if any, interest and Additional Interest, if any, on the Notes and remaining unclaimed for two years after such principal, premium, if any, interest and Additional Interest, if any, has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall 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 Senior Trustee or such paying agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease; *provided, however,* that the Senior Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in *The New York Times* and *The Wall Street Journal* (national editions), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

*Section 8.06. Reinstatement.* If the Senior 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 Senior 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 or Additional 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 Senior Trustee or paying agent.

*Section 8.07. Survival.* The Senior Trustee's rights under Article 7 and this Article 8 shall survive termination of this Indenture.

*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 and Additional Interest, if any, on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Senior 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 Senior Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Senior 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 Senior Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Additional Interest, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, the 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 Senior Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of the Indenture have been complied with; 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 Senior 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 Senior 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. The Issuer agrees to reimburse the Senior Trustee for any costs or expenses thereafter reasonably and properly incurred, and to compensate the Senior Trustee for any services thereafter reasonably and properly rendered, by the Senior 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 and the Senior Trustee may amend, supplement or waive the Indenture or the Notes without notice to or the consent of any Holder:

- (a) to convey, transfer, assign, mortgage or pledge to the Senior Trustee as security for the Notes any property or assets;
- (b) 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;
- (c) 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 Senior 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;
- (d) to confirm and evidence the termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;
- (e) to cure any ambiguity, defect or inconsistency in the Indenture or the Notes;
- (f) to evidence compliance with Section 4.14;
- (g) to comply with any requirements of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act;
- (h) to evidence and provide for the acceptance of appointment hereunder by a successor Senior Trustee;

- (i) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;
- (j) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;
- (k) to provide for or confirm the issuance of Additional Notes; or
- (l) to make any other change that does not adversely affect the legal rights of any Holder.

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

- (b) Notwithstanding the provisions of paragraph (a), without the consent of each Holder affected, an amendment or waiver may not:
  - (i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,
  - (ii) reduce the rate of, or change the time for payment of, any interest, including default interest, on any Note,
  - (iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions) with respect to redemptions described under 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 5.06,

(vii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest or Additional Interest, if any, on the Notes.

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

(d) An amendment, supplement or waiver under this Section will become effective on receipt by the Senior Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section becomes effective, the Issuer (or the Senior 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 Senior Trustee may require the Holder to deliver it to the Senior Trustee so that the Senior 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 Senior 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. Senior Trustee's Rights and Obligations.* The Senior Trustee is entitled to receive, 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 the Indenture and (ii) in the case of an amendment, supplement or waiver in

connection with Section 9.01(l) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such change. If the Senior Trustee has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Senior Trustee. The Senior Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Senior Trustee's own rights, duties or immunities under the Indenture.

*Section 9.05. Conformity with Trust Indenture Act.* Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

*Section 9.06. Payments for Consents.* Neither the Issuer, the Company nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

## ARTICLE 10 RELEASE OF ISSUER AND GUARANTORS

*Section 10.01. 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 Senior Trustee and satisfactory in form to the Senior Trustee, (2) the Company delivers an Opinion of Counsel to the Senior Trustee to the effect that Holders will not recognize income, gain or loss for United States federal income tax purposes as a result of such release 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 release had not occurred and (3) the Issuer shall (w) become a Guarantor 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 Senior 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).

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

## ARTICLE 11 MISCELLANEOUS

*Section 11.01. Trust Indenture Act of 1939.* The Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act. To the extent permitted by applicable law, in the event of any inconsistency between the terms of the Notes and the terms of the Indenture, the terms of the Indenture will control.

*Section 11.02. Holder Communications; Holder Actions.* (a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the Trust Indenture Act, and the Company and the Issuer shall comply with the requirements of Trust Indenture Act Section 312(a). Neither the Company, the Issuer nor the Senior Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an “**act**”) may be evidenced by an instrument signed by the Holder delivered to the Senior Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Senior Trustee deems sufficient.

(ii) The Senior Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Senior Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

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

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

*Section 11.03. Notices.* (a) Any notice or communication to the Issuer or the Company will be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail or (iii) when sent by facsimile transmission, with transmission confirmed. Notices or communications to a Guarantor will be deemed given if given to the Company. Any notice to the Senior Trustee will 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.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 07701  
Facsimile: (732) 747-7159  
Attention: General Counsel

*if to the Senior Trustee:*

Wachovia Bank, National Association  
21 South Street  
Morristown, NJ 07960  
ATTN: Corporate Trust Administration  
(K. Hovnanian Enterprises, Inc. Senior  
Notes due 2016)  
Facsimile: (973) 682-4531

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

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Senior Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, will be mailed to the Senior Trustee at the same time. Defect in mailing a notice or

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communication to any particular Holder will not affect its sufficiency with respect to other Holders.

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

*Section 11.04. Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Company to the Senior Trustee to take any action under the Indenture, the Issuer or the Company will furnish to the Senior Trustee:

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

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

*Section 11.05. Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

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

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided*, that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

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 Senior Trustee shall contain a statement that such firm is independent.

*Section 11.06. Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest or Additional Interest, if any, on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

*Section 11.07. Governing Law.* The Indenture, the Guarantees and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

*Section 11.08. No Adverse Interpretation of Other Agreements.* The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret the Indenture.

*Section 11.09. Successors.* All agreements of the Issuer, the Company or any Guarantor in the Indenture and the Notes will bind its successors. All agreements of the Senior Trustee in the Indenture will bind its successor.

*Section 11.10. Duplicate Originals.* The parties may sign any number of copies of the Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

*Section 11.11. Separability.* To the extent permitted by applicable law, in case any provision in the Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

*Section 11.12. Table of Contents and Headings.* The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of the Indenture have been inserted for convenience of reference only, are not to be considered a part of the Indenture and in no way modify or restrict any of the terms and provisions of the Indenture.

*Section 11.13. 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 11.14. 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.

**SIGNATURES**

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

K. HOVNIANIAN ENTERPRISES, INC.,  
as Issuer

By: /s/ PETER S. REINHART  
Name: Peter S. Reinhart  
Title: Senior Vice-President and  
General Counsel

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

By: /s/ PETER S. REINHART  
Name: Peter S. Reinhart  
Title: Senior Vice-President and  
General Counsel

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

By: /s/ PETER S. REINHART  
Name: Peter S. Reinhart  
Title: Authorized Officer

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Senior Trustee

By: /s/ STEPHANIE ROCHE  
Name: Stephanie Roche  
Title: Vice President

[signature page to the Indenture]

SCHEDULE A

**GUARANTORS**

ARROW PROPERTIES, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT BALLANTRAE, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.

K. HOVNANIAN AT CALABRIA, INC.  
K. HOVNANIAN AT CARMEL DEL MAR, INC.  
K. HOVNANIAN AT CASTILE, INC.  
K. HOVNANIAN AT CHAPARRAL, INC.  
K. HOVNANIAN AT CLARKSTOWN, INC.  
K. HOVNANIAN AT CRESTLINE, INC.  
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNANIAN AT EAST WHITELAND I, INC.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT HACKETTSTOWN, INC.  
K. HOVNANIAN AT HERSHEY'S MILL, INC.  
K. HOVNANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNANIAN AT HOPEWELL IV, INC.  
K. HOVNANIAN AT HOPEWELL VI, INC.  
K. HOVNANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNANIAN AT KINGS GRANT I, INC.  
K. HOVNANIAN AT KLOCKNER FARMS, INC.  
K. HOVNANIAN AT LA TERRAZA, INC.  
K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.  
K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.

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K. HOVNANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.  
K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.  
K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.  
K. HOVNANIAN AT SKYE ISLE, INC.  
K. HOVNANIAN AT SMITHVILLE, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNANIAN AT STONE CANYON, INC.  
K. HOVNANIAN AT STONY POINT, INC.  
K. HOVNANIAN AT SYCAMORE, INC.  
K. HOVNANIAN AT TANNERY HILL, INC.  
K. HOVNANIAN AT THE BLUFF, INC.  
K. HOVNANIAN AT THE CEDARS, INC.  
K. HOVNANIAN AT THORNBURY, INC.  
K. HOVNANIAN AT TIERRASANTA, INC.  
K. HOVNANIAN AT TUXEDO, INC.  
K. HOVNANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNANIAN AT VAIL RANCH, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNANIAN AT WASHINGTONVILLE, INC.  
K. HOVNANIAN AT WAYNE III, INC.  
K. HOVNANIAN AT WAYNE V, INC.  
K. HOVNANIAN AT WILDROSE, INC.  
K. HOVNANIAN COMPANIES NORTHEAST, INC.



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K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNANIAN CONSTRUCTION II, INC.  
K. HOVNANIAN CONSTRUCTION III, INC.  
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.  
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 ILLINOIS, INC.  
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNANIAN DEVELOPMENTS OF MICHIGAN, 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 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 WEST VIRGINIA, INC.  
K. HOVNANIAN EQUITIES, INC.  
K. HOVNANIAN FORECAST HOMES, INC.  
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.  
K. HOVNANIAN HOMES OF VIRGINIA, INC.  
K. HOVNANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNANIAN PA REAL ESTATE, INC.  
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.

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REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH PROPERTIES, INC.  
DULLES COPPERMINE, L.L.C.  
EDISON CONTRACT SERVICES, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF TEXAS, L.L.C.  
HOVNANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.  
K. HOVNANIAN AT 4S II, L.L.C.  
K. HOVNANIAN AT 4S, L.L.C.  
K. HOVNANIAN AT ACQUA VISTA, L.L.C.  
K. HOVNANIAN AT ALISO, L.L.C.

K. HOVNANIAN AT ALLENTOWN, L.L.C.  
K. HOVNANIAN AT ARBOR HEIGHTS, L.L.C.  
K. HOVNANIAN AT AVENUE ONE, L.L.C.  
K. HOVNANIAN AT BARNEGAT I, L.L.C.  
K. HOVNANIAN AT BARNEGAT II, L.L.C.  
K. HOVNANIAN AT BELLA LAGO, L.L.C.  
K. HOVNANIAN AT BERKELEY, L.L.C.  
K. HOVNANIAN AT BERNARDS V, L.L.C.  
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNANIAN AT CAMDEN I, L.L.C.  
K. HOVNANIAN AT CAPISTRANO, L.L.C.  
K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNANIAN AT CHESTER I, L.L.C.  
K. HOVNANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNANIAN AT CLIFTON, L.L.C.  
K. HOVNANIAN AT CLIFTON II, L.L.C.

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K. HOVNANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNANIAN AT CRANBURY, L.L.C.  
K. HOVNANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNANIAN AT DENVILLE, L.L.C.  
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT DOVER, L.L.C.  
K. HOVNANIAN AT EASTLAKE, L.L.C.  
K. HOVNANIAN AT EDGEWATER II, L.L.C.  
K. HOVNANIAN AT EDGEWATER, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNANIAN AT FIRST HOMES, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.  
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 HAMBURG CONTRACTORS, L.L.C.  
K. HOVNANIAN AT HAWTHORNE, L.L.C.  
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.  
K. HOVNANIAN AT HIGHWATER, L.L.C.  
K. HOVNANIAN AT JACKSON I, L.L.C.  
K. HOVNANIAN AT JACKSON, L.L.C.  
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNANIAN AT KING FARM, L.L.C.  
K. HOVNANIAN AT LA COSTA, L.L.C.  
K. HOVNANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNANIAN AT LAWRENCE V, L.L.C.  
K. HOVNANIAN AT LINWOOD, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNANIAN AT LONG BRANCH I, L.L.C.  
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.

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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 MANALAPAN III, L.L.C.  
K. HOVNANIAN AT MANSFIELD I, LLC  
K. HOVNANIAN AT MANSFIELD II, LLC  
K. HOVNANIAN AT MANSFIELD III, L.L.C.  
K. HOVNANIAN AT MARLBORO TOWNSHIP 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 MENDHAM TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MENIFEE, L.L.C.  
K. HOVNANIAN AT MENIFEE VALLEY CONDUMINIUMS, L.L.C.  
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNANIAN AT MILLVILLE I, L.L.C.  
K. HOVNANIAN AT MILLVILLE II, L.L.C.  
K. HOVNANIAN AT MILLVILLE III, L.L.C.  
K. HOVNANIAN AT MONROE III, L.L.C.  
K. HOVNANIAN AT MONROE IV, L.L.C.  
K. HOVNANIAN AT MONTVALE, L.L.C.  
K. HOVNANIAN AT MOSAIC, L.L.C.  
K. HOVNANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
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, 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 OLD BRIDGE, L.L.C.  
K. HOVNANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNANIAN AT OSTER HOMES, L.L.C.  
K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNANIAN AT PARAMUS, L.L.C.  
K. HOVNANIAN AT PARK LANE, L.L.C.  
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.  
K. HOVNANIAN AT PHILADELPHIA III, L.L.C.

K. HOVNANIAN AT PHILADELPHIA IV, L.L.C.  
K. HOVNANIAN AT PITTSBORO, L.L.C.  
K. HOVNANIAN AT PRADO, L.L.C.  
K. HOVNANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNANIAN AT RANDOLPH I, L.L.C.  
K. HOVNANIAN AT RAPHO, L.L.C.  
K. HOVNANIAN AT READINGTON II, L.L.C.  
K. HOVNANIAN AT RED BANK, L.L.C.  
K. HOVNANIAN AT RED BANK I, L.L.C.  
K. HOVNANIAN AT RIVERBEND, L.L.C.  
K. HOVNANIAN AT RODERUCK, L.L.C.  
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.  
K. HOVNANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNANIAN AT SAYREVILLE, L.L.C.  
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNANIAN AT SHELF COMPANY, L.L.C.  
K. HOVNANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNANIAN AT SOMERS POINT, L.L.C.  
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNANIAN AT SPRINGCO, L.L.C.  
K. HOVNANIAN AT SPRINGFIELD, L.L.C.  
K. HOVNANIAN AT SUNSETS, L.L.C.  
K. HOVNANIAN AT TEANECK, L.L.C.  
K. HOVNANIAN AT THE CROSBY, L.L.C.  
K. HOVNANIAN AT THE GABLES, L.L.C.  
K. HOVNANIAN AT THE PRESERVE, L.L.C.  
K. HOVNANIAN AT THE THOMPSON RANCH, L.L.C.  
K. HOVNANIAN AT TOWNGATE, L.L.C.  
K. HOVNANIAN AT TRAIL RIDGE, L.L.C.

K. HOVNANIAN AT UNION TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.  
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNANIAN AT VINELAND, L.L.C.  
K. HOVNANIAN AT WANAQUE, L.L.C.  
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.  
K. HOVNANIAN AT WASHINGTON, L.L.C.  
K. HOVNANIAN AT WAYNE VIII, L.L.C.  
K. HOVNANIAN AT WAYNE IX, L.L.C.  
K. HOVNANIAN AT WEST BRADFORD, L.L.C.  
K. HOVNANIAN AT WEST MILFORD, L.L.C.  
K. HOVNANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNANIAN AT WILLOW BROOK, L.L.C.

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K. HOVNANIAN AT WINCHESTER, L.L.C.  
K. HOVNANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNANIAN AT WOOLWICH I, L.L.C.  
K. HOVNANIAN AT YONKERS I, L.L.C.  
K. HOVNANIAN AT YONKERS II, L.L.C.  
K. HOVNANIAN AT YONKERS III, L.L.C.  
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.  
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNANIAN COMPANIES, L.L.C.  
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.  
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.  
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNANIAN GREAT WESTERN HOMES, L.L.C.  
K. HOVNANIAN HOLDINGS NJ, L.L.C.  
K. HOVNANIAN HOMES AT CAMERON STATION, L.L.C.  
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 LAUREL HIGHLANDS, 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 RUSSET, L.L.C.  
K. HOVNANIAN HOMES OF D.C., L.L.C.  
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.  
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.  
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNANIAN HOMES OF SOUTH CAROLINA, L.L.C.  
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNANIAN INVESTMENTS, L.L.C.  
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 OHIO REALTY, L.L.C.  
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.  
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.  
K. HOVNANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNANIAN SUMMIT HOMES, L.L.C.  
K. HOVNANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.

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K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNANIAN T&C INVESTMENT, L.L.C.  
K. HOVNANIAN T&C MANAGEMENT CO., L.L.C.  
K. HOVNANIAN WINDWARD HOMES, L.L.C.  
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 DULLES DISCOVERY CONDOMINIUM, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT MENIFEE VALLE, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, 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, L.L.C.  
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
KHIP, LLC  
KINGS COURT AT MONTGOMERY, L.L.C.  
M&M AT APPLE RIDGE, L.L.C.  
M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, L.L.C.  
M&M AT EAST MILL, L.L.C.  
M&M AT HERITAGE WOODS, L.L.C.  
M&M AT KENSINGTON WOODS, L.L.C.  
M&M AT MORRISTOWN, L.L.C.  
M&M AT ROBERT MORRIS, L.L.C.  
M&M AT SHERIDAN, L.L.C.  
M&M AT SPARTA, L.L.C.  
M&M AT SPINNAKER POINTE, L.L.C.  
M&M AT SPRUCE HOLLOW, L.L.C.  
M&M AT SPRUCE MEADOWS, L.L.C.  
M&M AT SPRUCE RUN, L.L.C.  
M&M AT TAMARACK HOLLOW, L.L.C.  
M&M AT THE HIGHLANDS, L.L.C.  
M&M AT WEST ORANGE, L.L.C.  
M&M AT WHEATON URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT CRANBURY KNOLL, L.L.C.  
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.  
MATZEL & MUMFORD AT FREEHOLD, L.L.C.  
MATZEL & MUMFORD AT HERITAGE LANDING, L.L.C.

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MATZEL & MUMFORD AT MONTGOMERY, L.L.C.  
MATZEL & MUMFORD AT PHILLIPSBURG, L.L.C.  
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT SOUTH BRUNSWICK, L.L.C.  
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.  
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C  
MMIP, L.L.C.  
NORTH MANATEE, L.L.C.  
PADDOCKS, L.L.C.  
PINE AYR, L.L.C.  
RIDGEMORE UTILITY, L.L.C.  
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.  
THE LANDINGS AT SPINNAKER POINTE, L.L.C.  
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, LLC  
GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNIANIAN OF HOUSTON II, L.P.  
K. HOVNIANIAN OF HOUSTON, L.P.  
M & M INVESTMENTS, L.P.

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**EXHIBIT A**

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

6.25% Senior Notes Due 2016

CUSIP No.:

No.

\$

K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**,” which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to \_\_\_\_\_, or its registered assigns, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), [or such other amount as is provided in a schedule attached hereto](1), on January 15, 2016.

Interest Rate: 6.25% per annum.

Interest Payment Dates: January 15 and July 15, commencing January 15, 2006.

Record Dates: January 1 and July 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.

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(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: August , 2005

K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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[Form of] Senior Trustee’s Certificate of Authentication

This is one of the 6.25% Senior Notes Due 2016 described in the Indenture referred to in this Note.

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Senior Trustee

By: \_\_\_\_\_

Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

6.25% Senior Notes Due 2016

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 January 15, 2016.

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 6.25% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the January 1 or July 1 immediately preceding the interest payment date) on each interest payment date, commencing January 15, 2006.

[The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated August 8, 2005, among the Issuer, the Guarantors party thereto and the Initial Purchasers named therein (the “**Registration Rights Agreement**”). In the event of a Registration Default (as defined in the Registration Rights Agreement), the Holder shall be entitled to Additional Interest as specified in the Registration Rights Agreement until the Registration Default is cured.](2)

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 August 8, 2005. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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(2) For Initial Notes and Initial Additional Notes only.

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2. *Paying Agent and Registrar.*

Initially, Wachovia Bank, National Association (the “**Senior 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; Guarantees.*

This is one of the Notes issued under an Indenture dated as of August 8, 2005 (as amended from time to time, the “**Indenture**”), among the Issuer, the Guarantors party thereto and the Senior Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes issued thereunder to \$300,000,000, but Additional Notes may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed 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 Guarantors, the Senior Trustee and the Holders.

4. *Optional Redemption.*

The Notes will be redeemable, in whole, at any time, or in part, from time to time, at the option of the Issuer upon not less than 30 nor more than 60 days' notice at a redemption price equal to the sum of:

- (a) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date; *plus*
- (b) the Make-Whole Amount.

The Senior Trustee shall have no responsibility in connection with the calculation of such redemption price.

“**Make-Whole Amount**” means, in connection with any optional redemption of any Note, the excess, if any, of: (a) the aggregate present value as

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of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the Business Day preceding the date of such redemption) plus 0.50%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over (b) 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, 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), equal to the then remaining maturity of the Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

If less than all of the Notes are to be redeemed at any time, the Senior Trustee will select Notes for redemption on a *pro rata* basis, by lot or by such other method as the Senior Trustee in its sole discretion shall deem appropriate and fair.

No Notes of \$1,000 in original principal amount or less shall be redeemed in part. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption.

5. *Mandatory Redemption.*

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

6. *Discharge and Defeasance.*

If the Issuer deposits with the Senior Trustee money and/or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, interest and Additional Interest, if any, 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 and the Guarantees or may be discharged from certain of their obligations under certain provisions of the Indenture.

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

The Notes are in registered form only without coupons in denominations of \$1,000 principal amount and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Senior 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 Senior Trustee will not be required to issue, register the transfer of, or exchange any Note or certain portions of a Note.

8. *Persons Deemed Owners.*

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

9. *Defaults and Remedies.*

If an Event of Default occurs and is continuing, the Senior 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 Senior 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 Senior Trustee in its exercise of remedies.

10. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes and the Guarantees 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 Issuer, the

Company, the Guarantors and the Senior Trustee may amend or supplement the Indenture, the Notes or the Guarantees 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.

11. *Senior Trustee Dealings With Issuer.*

The Senior 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 Senior 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.

12. *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.

13. *Governing Law.*

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

14. *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 Senior 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.

15. *Authentication.*

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



16. *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(3): \_\_\_\_\_

(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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[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 second 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 Senior 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.

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instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:(4) \_\_\_\_\_

By: \_\_\_\_\_  
(To be executed by an executive officer)

(4) 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:(5) \_\_\_\_\_

(5) Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Senior 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 Senior 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(6)

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 Senior Trustee |
|------------------|--|--|--|---|
|                  |  |  |  |   |

(6) 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 and Additional Interest, if any, on the Issuer’s 6.25% Senior Notes due 2016 (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 Senior Trustee all in accordance with the terms set forth in Article 6 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

No past, present or future stockholder, officer, director, employee, 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 Senior 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.

HOVNIANIAN ENTERPRISES, INC.  
ARROW PROPERTIES, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.

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K. HOVNIANIAN AT BALLANTRAE, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT CHAPARRAL, INC.  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.  
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN AT HERSHEY’S MILL, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT LA TERRAZA, INC.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT MARLBORO II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN AT METRO DC SOUTH, INC.  
K. HOVNIANIAN AT MONROE II, INC.  
K. HOVNIANIAN AT MONTCLAIR NJ, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.

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K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.  
K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.  
K. HOVNANIAN AT SKYE ISLE, INC.  
K. HOVNANIAN AT SMITHVILLE, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNANIAN AT STONE CANYON, INC.  
K. HOVNANIAN AT STONY POINT, INC.  
K. HOVNANIAN AT SYCAMORE, INC.  
K. HOVNANIAN AT TANNERY HILL, INC.  
K. HOVNANIAN AT THE BLUFF, INC.  
K. HOVNANIAN AT THE CEDARS, INC.  
K. HOVNANIAN AT THORNBURY, INC.  
K. HOVNANIAN AT TIERRASANTA, INC.  
K. HOVNANIAN AT TUXEDO, INC.  
K. HOVNANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNANIAN AT VAIL RANCH, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNANIAN AT WASHINGTONVILLE, INC.  
K. HOVNANIAN AT WAYNE III, INC.  
K. HOVNANIAN AT WAYNE V, INC.  
K. HOVNANIAN AT WILDROSE, INC.  
K. HOVNANIAN COMPANIES NORTHEAST, INC.  
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNANIAN CONSTRUCTION II, INC.  
K. HOVNANIAN CONSTRUCTION III, INC.  
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.

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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 ILLINOIS, INC.  
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNANIAN DEVELOPMENTS OF MICHIGAN, 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 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 WEST VIRGINIA, INC.  
K. HOVNANIAN EQUITIES, INC.

K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN HOMES OF VIRGINIA, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH PROPERTIES, INC.  
DULLES COPPERMINE, L.L.C.

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EDISON CONTRACT SERVICES, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.  
K. HOVNIANIAN AT 4S II, L.L.C.  
K. HOVNIANIAN AT 4S, L.L.C.  
K. HOVNIANIAN AT ACQUA VISTA, L.L.C.  
K. HOVNIANIAN AT ALISO, L.L.C.  
K. HOVNIANIAN AT ALLENTOWN, L.L.C.  
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.  
K. HOVNIANIAN AT AVENUE ONE, L.L.C.  
K. HOVNIANIAN AT BARNEGAT I, L.L.C.  
K. HOVNIANIAN AT BARNEGAT II, L.L.C.  
K. HOVNIANIAN AT BELLA LAGO, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNIANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNIANIAN AT CAMDEN I, L.L.C.  
K. HOVNIANIAN AT CAPISTRANO, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT CLIFTON II, L.L.C.  
K. HOVNIANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNIANIAN AT CRANBURY, L.L.C.  
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNIANIAN AT DENVILLE, L.L.C.  
K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT DOVER, L.L.C.  
K. HOVNIANIAN AT EASTLAKE, L.L.C.  
K. HOVNIANIAN AT EDGEWATER II, L.L.C.  
K. HOVNIANIAN AT EDGEWATER, L.L.C.  
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.

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K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNANIAN AT FIRST HOMES, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.  
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 HAMBURG CONTRACTORS, L.L.C.  
K. HOVNANIAN AT HAWTHORNE, L.L.C.  
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.  
K. HOVNANIAN AT HIGHWATER, L.L.C.  
K. HOVNANIAN AT JACKSON I, L.L.C.  
K. HOVNANIAN AT JACKSON, L.L.C.  
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNANIAN AT KING FARM, L.L.C.  
K. HOVNANIAN AT LA COSTA, L.L.C.  
K. HOVNANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNANIAN AT LAWRENCE V, L.L.C.  
K. HOVNANIAN AT LINWOOD, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNANIAN AT LONG BRANCH I, 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 MANALAPAN III, L.L.C.  
K. HOVNANIAN AT MANSFIELD I, LLC  
K. HOVNANIAN AT MANSFIELD II, LLC  
K. HOVNANIAN AT MANSFIELD III, L.L.C.  
K. HOVNANIAN AT MARLBORO TOWNSHIP 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 MENDHAM TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MENIFEE, L.L.C.  
K. HOVNANIAN AT MENIFEE VALLEY CONDUMINIUMS, L.L.C.  
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNANIAN AT MILLVILLE I, L.L.C.  
K. HOVNANIAN AT MILLVILLE II, L.L.C.  
K. HOVNANIAN AT MILLVILLE III, L.L.C.  
K. HOVNANIAN AT MONROE III, L.L.C.  
K. HOVNANIAN AT MONROE IV, L.L.C.  
K. HOVNANIAN AT MONTVALE, L.L.C.  
K. HOVNANIAN AT MOSAIC, L.L.C.  
K. HOVNANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
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, 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 OLD BRIDGE, L.L.C.  
K. HOVNANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNANIAN AT OSTER HOMES, L.L.C.  
K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNANIAN AT PARAMUS, L.L.C.  
K. HOVNANIAN AT PARK LANE, L.L.C.  
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.  
K. HOVNANIAN AT PHILADELPHIA III, L.L.C.  
K. HOVNANIAN AT PHILADELPHIA IV, L.L.C.  
K. HOVNANIAN AT PITTSBORO, L.L.C.  
K. HOVNANIAN AT PRADO, L.L.C.  
K. HOVNANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNANIAN AT RANDOLPH I, L.L.C.  
K. HOVNANIAN AT RAPHO, L.L.C.  
K. HOVNANIAN AT READINGTON II, L.L.C.  
K. HOVNANIAN AT RED BANK, L.L.C.  
K. HOVNANIAN AT RED BANK I, L.L.C.  
K. HOVNANIAN AT RIVERBEND, L.L.C.

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K. HOVNANIAN AT RODERUCK, L.L.C.  
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.  
K. HOVNANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNANIAN AT SAYREVILLE, L.L.C.  
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNANIAN AT SHELF COMPANY, L.L.C.  
K. HOVNANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNANIAN AT SOMERS POINT, L.L.C.  
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNANIAN AT SPRINGCO, L.L.C.  
K. HOVNANIAN AT SPRINGFIELD, L.L.C.  
K. HOVNANIAN AT SUNSETS, L.L.C.  
K. HOVNANIAN AT TEANECK, L.L.C.  
K. HOVNANIAN AT THE CROSBY, L.L.C.  
K. HOVNANIAN AT THE GABLES, L.L.C.  
K. HOVNANIAN AT THE PRESERVE, L.L.C.  
K. HOVNANIAN AT THE THOMPSON RANCH, L.L.C.  
K. HOVNANIAN AT TOWNGATE, L.L.C.  
K. HOVNANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNANIAN AT UNION TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.  
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNANIAN AT VINELAND, L.L.C.  
K. HOVNANIAN AT WANAQUE, L.L.C.  
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.  
K. HOVNANIAN AT WASHINGTON, L.L.C.  
K. HOVNANIAN AT WAYNE VIII, L.L.C.  
K. HOVNANIAN AT WAYNE IX, L.L.C.  
K. HOVNANIAN AT WEST BRADFORD, L.L.C.  
K. HOVNANIAN AT WEST MILFORD, L.L.C.  
K. HOVNANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNANIAN AT WINCHESTER, L.L.C.  
K. HOVNANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNANIAN AT WOOLWICH I, L.L.C.  
K. HOVNANIAN AT YONKERS I, L.L.C.  
K. HOVNANIAN AT YONKERS II, L.L.C.  
K. HOVNANIAN AT YONKERS III, L.L.C.  
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.  
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNANIAN COMPANIES, L.L.C.

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K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.  
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.

K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNANIAN GREAT WESTERN HOMES, L.L.C.  
K. HOVNANIAN HOLDINGS NJ, L.L.C.  
K. HOVNANIAN HOMES AT CAMERON STATION, L.L.C.  
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 LAUREL HIGHLANDS, 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 RUSSET, L.L.C.  
K. HOVNANIAN HOMES OF D.C., L.L.C.  
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.  
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.  
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNANIAN HOMES OF SOUTH CAROLINA, L.L.C.  
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNANIAN INVESTMENTS, L.L.C.  
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 OHIO REALTY, L.L.C.  
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.  
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.  
K. HOVNANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNANIAN SUMMIT HOMES, L.L.C.  
K. HOVNANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNANIAN T&C INVESTMENT, L.L.C.  
K. HOVNANIAN T&C MANAGEMENT CO., L.L.C.  
K. HOVNANIAN WINDWARD HOMES, L.L.C.  
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 DULLES DISCOVERY CONDOMINIUM, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT HEMET, L.L.C.

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K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT MENIFEE VALLE, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, 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, L.L.C.  
K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
KHIP, LLC  
KINGS COURT AT MONTGOMERY, L.L.C.  
M&M AT APPLE RIDGE, L.L.C.  
M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, L.L.C.  
M&M AT EAST MILL, L.L.C.  
M&M AT HERITAGE WOODS, L.L.C.  
M&M AT KENSINGTON WOODS, L.L.C.  
M&M AT MORRISTOWN, L.L.C.  
M&M AT ROBERT MORRIS, L.L.C.  
M&M AT SHERIDAN, L.L.C.  
M&M AT SPARTA, L.L.C.  
M&M AT SPINNAKER POINTE, L.L.C.  
M&M AT SPRUCE HOLLOW, L.L.C.  
M&M AT SPRUCE MEADOWS, L.L.C.  
M&M AT SPRUCE RUN, L.L.C.  
M&M AT TAMARACK HOLLOW, L.L.C.  
M&M AT THE HIGHLANDS, L.L.C.  
M&M AT WEST ORANGE, L.L.C.  
M&M AT WHEATON URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT CRANBURY KNOLL, L.L.C.  
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.  
MATZEL & MUMFORD AT FREEHOLD, L.L.C.



MATZEL & MUMFORD AT HERITAGE LANDING, L.L.C.  
MATZEL & MUMFORD AT MONTGOMERY, L.L.C.  
MATZEL & MUMFORD AT PHILLIPSBURG, L.L.C.  
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT SOUTH BRUNSWICK, L.L.C.  
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.  
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C  
MMIP, L.L.C.  
NORTH MANATEE, L.L.C.  
PADDOCKS, L.L.C.

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PINE AYR, L.L.C.  
RIDGEMORE UTILITY, L.L.C.  
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.  
THE LANDINGS AT SPINNAKER POINTE, L.L.C.  
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, LLC  
GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNIANIAN OF HOUSTON II, L.P.  
K. HOVNIANIAN OF HOUSTON, L.P.  
M & M INVESTMENTS, L.P.

By: \_\_\_\_\_

Name:  
Title: Authorized Officer

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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

WACHOVIA BANK, NATIONAL ASSOCIATION

as Senior Trustee

\_\_\_\_\_  
6.25% Senior Notes due 2016

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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. (the “**Company**”), [list each new guarantor and its jurisdiction of incorporation] (each an “**Undersigned**”) and Wachovia Bank, National Association, as Senior Trustee (the “**Senior Trustee**”).

**RECITALS**

WHEREAS, the Issuer, Company, the other Guarantors party thereto and the Senior Trustee entered into an indenture, dated as of August 8, 2005 (the “**Indenture**”), relating to the Company’s 6.25% Senior Notes due 2016 (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 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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IN WITNESS WHEREOF, the parties hereto have caused this [ ] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNIANIAN ENTERPRISES, INC.,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name:  
Title:

[GUARANTOR]

By: \_\_\_\_\_  
Name:  
Title:

WACHOVIA BANK, NATIONAL  
ASSOCIATION, as Senior Trustee

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, HOVNANIAN 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 THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY

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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 ANY OF ITS SUBSIDIARIES 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

Wachovia Bank, National Association  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
6.25% Senior Notes due 2016 (the "**Notes**")  
Issued under the Indenture (the "**Indenture**") dated as  
as of August 8, 2005 relating to the Notes

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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 on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was

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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 we did not pre-arrange the transaction in the United States.

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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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## Rule 144A Certificate

Wachovia Bank, National Association  
 21 South Street  
 Morristown, NJ 07960  
 Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
 6.25% Senior Notes due 2016 (the "**Notes**")  
 Issued under the Indenture (the "**Indenture**") dated as  
 as of August 8, 2005 relating to the Notes

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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 provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any

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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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Re: K. Hovnanian Enterprises, Inc.  
6.25% Senior Notes due 2016 (the “Notes”)  
Issued under the Indenture (the “Indenture”) dated as  
as of August 8, 2005 relating to the Notes

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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.
3. We have such knowledge and experience in financial and business matters that we are capable of evaluating

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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 Senior 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 Senior 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 that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Issuer) or (G) pursuant to an effective Registration Statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

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,

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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 Senior 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 Senior 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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EXHIBIT H

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

*Certificate of Beneficial Ownership*

To: Wachovia Bank, National Association  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration OR

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.  
6.25% Senior Notes due 2016 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of August 8, 2005 relating to the Notes

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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.]

G A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

G 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: Wachovia Bank, National Association  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration OR

Re: K. Hovnanian Enterprises, Inc.  
6.25% Senior Notes due 2016 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of August 8, 2005 relating to the Notes

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Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("**Member Organizations**") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, \$ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any

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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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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 REGULATIONS UNDER THE SECURITIES ACT.

SENIOR NOTES A/B EXCHANGE  
REGISTRATION RIGHTS AGREEMENT

Dated as of August 8, 2005

by and among

K. Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.

And Certain of its Subsidiaries

and

CITIGROUP GLOBAL MARKETS INC.  
BANC OF AMERICA SECURITIES LLC  
CREDIT SUISSE FIRST BOSTON LLC  
J.P. MORGAN SECURITIES INC.

This Registration Rights Agreement (this “**Agreement**”) is made and entered into as of August 8, 2005 by and among K. Hovnanian Enterprises, Inc., a California corporation (the “**Company**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”), and certain subsidiary guarantors of Hovnanian party hereto (together with Hovnanian, the “**Guarantors**”) and Citigroup Global Markets Inc., Banc of America Securities LLC, Credit Suisse First Boston LLC and J.P. Morgan Securities Inc., as Representatives of the several initial purchasers listed in Schedule B to the Purchase Agreement (as defined below) (each an “**Initial Purchaser**” and, collectively, the “**Initial Purchasers**”), each of whom has agreed to purchase the Company’s 6.25% Series A Senior Notes due 2016 (the “**Senior A Notes**”) pursuant to the Purchase Agreement.

This Agreement is made pursuant to the Purchase Agreement, dated August 1, 2005 (the “**Purchase Agreement**”), by and among the Company, the Guarantors party thereto and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Senior A Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Indenture, dated August 8, 2005, among the Company, the Guarantors and Wachovia Bank, National Association, as trustee (the “**Senior Trustee**”), relating to the Senior A Notes and the Senior B Notes (as defined below) (the “**Indenture**”).

The parties hereby agree as follows:

**SECTION 1. DEFINITIONS**

As used in this Agreement, the following capitalized terms shall have the following meanings:

**Act:** The Securities Act of 1933, as amended.

**Affiliate:** As defined in Rule 144 of the Act.

**Broker-Dealer:** Any broker or dealer registered under the Exchange Act.

**Certificated Securities:** Certificated Notes, as defined in the Indenture.

**Closing Date:** The date hereof.

**Commission:** The Securities and Exchange Commission.

**Consummate:** An Exchange Offer shall be deemed “Consummated” for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness

under the Act of the Exchange Offer Registration Statement relating to the Senior B Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement as continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Senior Trustee under the Indenture of Senior B Notes in the same aggregate principal amount as the aggregate principal amount of Senior A Notes tendered by Holders thereof pursuant to the Exchange Offer.

**Consummation Deadline:** As defined in Section 3(b) hereof.

**Effectiveness Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Exchange Act:** The Securities Exchange Act of 1934, as amended.

**Exchange Offer:** The exchange and issuance by the Company of a principal amount of Senior B Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Senior A Notes that are tendered by Holders in connection with such exchange and issuance.

**Exchange Offer Registration Statement:** The Registration Statement relating to the Exchange Offer, including the related Prospectus.

**Filing Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Holders:** As defined in Section 2 hereof.

**Participating Broker-Dealer:** As defined in Section 3(c) hereof.

**Prospectus:** The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

**Recommencement Date:** As defined in Section 6(d) hereof.

**Registration Default:** As defined in Section 5 hereof.

**Registration Statement:** The Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, and, in each case, including the Prospectus and exhibits included therein.

**Regulation S:** Regulation S promulgated under the Act.

**Rule 144:** Rule 144 promulgated under the Act.

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**Selling Holders:** As defined in Section 6(c)(xi).

**Senior B Notes:** The Company's 6.25% Series B Senior Notes due 2016 to be issued under the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

**Shelf Registration Statement:** As defined in Section 4(a) hereof.

**Shelf Underwriters:** As defined in Section 6(c)(xi)(A)(1).

**Suspension Notice:** As defined in Section 6(d) hereof.

**TIA:** The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbb) as in effect on the date of the Indenture.

**Transfer Restricted Securities:** Each Senior A Note, until the earliest to occur of (a) the date on which such Senior A Note is exchanged in the Exchange Offer for a Senior B Note which is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Senior A Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Senior B Notes) or (c) the date on which such Senior A Note is distributed to the public pursuant to Rule 144 or Regulation S under the Act (and purchasers thereof have been issued Senior B Notes) and each Senior B Note issued to a Broker-Dealer until the date on which such Senior B Note is disposed of by such Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

## SECTION 2. HOLDERS

A person is deemed to be a holder of Transfer Restricted Securities (a "**Holder**") whenever such person owns Transfer Restricted Securities.

## SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "**Filing Deadline**"), (ii) use their reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (such 150th day being the "**Effectiveness Deadline**"), (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to

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become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Senior B Notes to be made under the Blue Sky laws of such

jurisdictions as are necessary to permit Consummation of the Exchange Offer, *provided, however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject; (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and Consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Senior B Notes to be offered in exchange for the Senior A Notes that are Transfer Restricted Securities and (ii) resales of Senior B Notes by Broker-Dealers that tendered into the Exchange Offer Senior A Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously for the period specified in Section 3(c) below and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; *provided, however*, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Senior B Notes and the guarantees thereof shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be Consummated on or prior to 30 Business Days after the Exchange Offer Registration Statement has become effective, but in no event later than 40 Business Days thereafter (such 40th day being the “**Consummation Deadline**”).

(c) The Company shall include a “Plan of Distribution” section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) (a “**Participating Broker-Dealer**”) may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such “Plan of Distribution” section shall also contain all other information with respect to such sales by such Participating Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such “Plan of Distribution” shall not name any such Participating

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Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Participating Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling No-Action Letter (available July 2, 1993).

Because such Participating Broker-Dealer may be deemed to be an “underwriter” within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Senior B Notes received by such Participating Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Participating Broker-Dealer to satisfy such prospectus delivery requirement. In light of the foregoing, if requested by any Participating Broker-Dealer and to the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Senior B Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers promptly upon request and in no event later than one Business Day after such request at any time during such period.

#### **SECTION 4. SHELF REGISTRATION**

(a) *Shelf Registration.* If (i) the Exchange Offer is not permitted by applicable law (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) based on an opinion of counsel, such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder is a Broker-Dealer and holds Senior A Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in clause (a)(ii) above, (such earlier date, the “**Filing Deadline**”), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement) (the “**Shelf**

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**Registration Statement**”), relating to all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 60 days after the Filing Deadline for the Shelf Registration Statement (such 60th day being the “**Effectiveness Deadline**”).

If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; *provided that*, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as

extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) *Provision by Holders of Certain Information in Connection with the Shelf Registration Statement.* No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to additional interest pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

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## SECTION 5. ADDITIONAL INTEREST

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a “**Registration Default**”), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby additional interest in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of additional interest shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of additional interest of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; *provided that* the Company and the Guarantors shall in no event be required to pay additional interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon the filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the additional interest payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued additional interest shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in the Indenture on each Interest Payment Date as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any securities for which additional interest is due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay additional interest with respect to securities shall survive until

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such time as such obligations with respect to such securities shall have been satisfied in full.

## SECTION 6. REGISTRATION PROCEDURES

(a) *Exchange Offer Registration Statement.* In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Senior B Notes by Broker-Dealers that tendered in the Exchange Offer Senior A Notes that such Broker-Dealer acquired for its own account as a result of its market making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) being sold in accordance with the intended method or methods of distribution thereof and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including, without limitation, (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company or the Guarantors, (B) it is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Senior B Notes to be issued in the Exchange Offer and (C) it is acquiring the Senior B Notes in its ordinary course of business. As a condition to its participation in the Exchange

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Offer each Holder using the Exchange Offer to participate in a distribution of the Senior B Notes shall acknowledge and agree that, if the resales are of Senior B Notes obtained by such Holder in exchange for Senior A Notes acquired directly from the Company, the Guarantors or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in the Morgan Stanley and Company Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation No-Action Letters (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling (available July 2, 1993) and similar No-Action Letters (including, if applicable, any No-Action Letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Senior B Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Senior B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Senior B Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(iv) If requested by any Participating Broker-Dealer delivering the Prospectus contained in the Exchange Offer Registration Statement in connection with its initial sale of any Senior B Notes received by it in the Exchange Offer, the Company and the Guarantors shall use their best efforts to furnish to each such Participating Broker-Dealer (i) an opinion of counsel of the Company and the Guarantors addressed to such Participating Broker-Dealer covering the matters set forth in Section 6(c)(xi)(A)(2) herein with such changes as are customary in connection with an Exchange Offer Registration Statement and (ii) a comfort letter,

addressed to such Participating Broker-Dealer from the Company's independent public accountants, in the customary form, covering the matters set forth in Section 6(c)(xi)(A)(3) herein, with appropriate date changes.

(b) *Shelf Registration Statement.* In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Senior A Notes covered by any Shelf Registration Statement contemplated by this Agreement, Senior B Notes having an aggregate principal amount equal to the aggregate principal amount of Senior A Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Senior B Notes on the Shelf Registration Statement for this purpose and issue the Senior B Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) *General Provisions.* In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or Prospectus;

(iii) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening

of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or

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related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) in the case of a Shelf Registration Statement, furnish to each Holder, before filing with the Commission, copies of any Shelf Registration Statement or any Prospectus included therein or any amendments or supplements to any such Shelf Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Shelf Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Shelf Registration Statement or Prospectus or any amendment or supplement to any such Shelf Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document, if any, to each Holder, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(vii) in the case of a Shelf Registration Statement, make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all pertinent financial and other records and pertinent corporate documents of the Company and the Guarantors as shall be necessary to enable them to exercise any applicable due diligence responsibilities and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; *provided that* if any such information is identified by the Company or any Guarantor as being confidential or proprietary, each such

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Holder, attorney, accountant or any other person receiving such information shall take all actions as are reasonably necessary to protect the confidentiality of such information to the extent that such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of such Holder;

(viii) if requested by any Holders, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) in the case of a Shelf Registration Statement, furnish to each Holder, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Person reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) in the case of a Shelf Registration Statement and upon the request of any Holder of Transfer Restricted Securities covered thereby and being sold pursuant thereto (the "**Selling Holders**"), enter into such customary agreements (including underwriting agreements) and make such customary representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any such Selling Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any such Selling Holder, furnish (or in the case of paragraphs (2) and (3), use their best efforts to cause to be furnished) to each such Selling Holder, as the case may be:

(1) a certificate, addressed to such Selling Holders and underwriters, if any, named in an underwriting agreement entered into pursuant to this Section 6(c)(xi) (the “**Shelf Underwriters**”), signed on behalf of Hovnanian by the Executive Vice President and Chief Financial Officer, confirming, as of the date thereof, the matters set forth in Sections 6(v), 6(w) and 9(a) of the Purchase Agreement and such other similar matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request;

(2) an opinion of counsel for the Company and the Guarantors, addressed to such Selling Holders and Shelf Underwriters, if any, which shall cover matters similar to those set forth in subsections (e) and (f) of Section 9 of the Purchase Agreement and such other additional matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request; and

(3) a comfort letter, addressed to such Selling Holders and Shelf Underwriters, if any, from the Company’s independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters addressed to underwriters in connection with underwritten offerings.

(B) deliver such other documents and certificates as may be reasonably requested by such Selling Holders and Shelf Underwriters, if any, to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided, however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement that will result in such securities no longer being Transfer Restricted Securities, cooperate with

the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities; and provide the Senior Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvi) otherwise use their respective reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Senior Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their best efforts to cause the Senior Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) *Restrictions on Holders.* Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a “**Suspension Notice**”), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and, in each case, has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the “**Recommencement Date**”). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder’s possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company’s expense) all copies, other than permanent file copies, then in such Holder’s possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time



period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

## SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of, or compliance with, this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Senior B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and, in the case of a Shelf Registration Statement, of one counsel for the Holders of Transfer Restricted Securities, such counsel to be selected by a majority of the aggregate principal amount of Transfer Restricted Securities being sold; (v) all application and filing fees in connection with listing the Senior B Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual

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audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement, the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Senior A Notes in the Exchange Offer and/or selling or reselling Senior A Notes or Senior B Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Davis Polk & Wardwell, unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Notwithstanding the foregoing, such Holders shall be responsible for any and all underwriting discounts and commissions and, prior to employing counsel in connection with an Exchange Offer, the Initial Purchasers will notify the Company and the Company's counsel and provide them reasonable opportunity to discuss the need for separate counsel; *provided, however*, the Initial Purchasers shall at all times retain the sole right to employ separate counsel.

## SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder of Transfer Restricted Securities, its partners, directors, officers, and each person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which such Holder may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and shall reimburse each Holder of Transfer Restricted Securities for any legal or other expenses reasonably incurred by such Holder of Transfer Restricted Securities in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that (i) the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement in or omission or alleged omission from a Registration Statement, preliminary prospectus or Prospectus or in any amendment or supplement thereto made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by any such Holder of Transfer Restricted Securities or on behalf of such Holder of Transfer Restricted Securities specifically for inclusion therein and (ii) with respect to any untrue statement or

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omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder of Transfer Restricted Securities from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a Prospectus relating to such Securities was required to be delivered by such Holder of Transfer Restricted Securities under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder of Transfer Restricted Securities results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final Prospectus if the Company had previously furnished copies thereof to such Holder of Transfer Restricted Securities; *provided further, however*, that this indemnity agreement will be in addition to any liability which the Company and the Guarantors may otherwise have to such Holder of Transfer Restricted Securities and their controlling persons named above.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, the Guarantors, their respective directors and officers and each person, if any, who controls the Company or any Guarantors within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities to which the Company or the Guarantors may become subject under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, but in each case only to the extent that such untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by or on behalf of such Holder specifically for inclusion therein; and, shall reimburse, as incurred, the Company, the Guarantors for any legal or other expenses reasonably incurred by the Company or the Guarantors in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which such Holder of Transfer Restricted Securities may otherwise have to the Company and the Guarantors or any of their controlling persons named above.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under subsection (a) or (b) above except to the extent

that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other from the sale of the Securities pursuant to a Registration Statement or the exchange of the Securities pursuant to the Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors on the one hand and the Holders on the other shall be deemed to be in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors from the offering of the Transfer Restricted Securities pursuant to the Purchase Agreement and the securities to be issued in an Exchange Offer or pursuant to a Shelf Registration Statement, on the one hand, and by the Holders from receiving Transfer Restricted Securities or securities

registered under the Securities Act pursuant to an Exchange Offer or a Shelf Registration Statement, on the other hand. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantors on the one hand or such Holder on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 8(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the total proceeds received by such Holders from the sale of the Transfer Restricted Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company or the Guarantors within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company and the Guarantors.

(e) The agreements contained in this Section 8 shall survive the sale of the Transfer Restricted Securities pursuant to a Shelf Registration Statement or the exchange of the Securities pursuant to an Exchange Offer and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

## **SECTION 9. MISCELLANEOUS**

(a) *Remedies.* The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. To the extent permitted by applicable law, the Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) *No Inconsistent Agreements.* Neither the Company nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) *Amendments and Waivers.* The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 9(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or a Guarantor or their Affiliates). Notwithstanding the foregoing, a waiver or consent to a departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) *Third Party Beneficiary.* The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(e) *Notices.* All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or the Guarantors:

c/o Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 07701

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Telecopier No.: 732-747-6835  
Attention: General Counsel

with a copy to:

Simpson Thacher & Bartlett LLP  
425 Lexington Ave.  
New York, NY 10017

Telecopier No.: 212-455-2502  
Attention: Vincent Pagano Jr., Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Senior Trustee at the address specified in the Indenture.

(f) *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders; *provided*, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and, by taking and holding such Transfer Restricted Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

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(i) *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) *Severability.* To the extent permitted by applicable law, in the event that any one or more of the provisions contained herein or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) *Entire Agreement.* This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions,

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ PETER S. REINHART

Name: Peter S. Reinhart  
Title: Senior Vice- President and General Counsel

HOVNANIAN ENTERPRISES, INC.

By: /s/ PETER S. REINHART

Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

On behalf of each entity named in  
Schedule A hereto

By: /s/ PETER S. REINHART

Name: Peter S. Reinhart  
Title: Senior Vice President and General Counsel

Citigroup Global Markets Inc.  
Banc of America Securities LLC  
Credit Suisse First Boston LLC  
J.P. Morgan Securities Inc.,  
as Representatives of the several Initial Purchasers  
listed in Schedule B of the Purchase Agreement

By: Citigroup Global Markets Inc.

By: /s/ BRIAN D. BEDNARSKI

Name: Brian D. Bednarski  
Title: Director

**SCHEDULE A**

**GUARANTORS**

HOVNANIAN ENTERPRISES, INC.  
ARROW PROPERTIES, INC.  
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNANIAN ACQUISITIONS, INC.  
K. HOVNANIAN AT BALLANTRAE, INC.  
K. HOVNANIAN AT BERNARDS IV, INC.  
K. HOVNANIAN AT BRANCHBURG III, INC.  
K. HOVNANIAN AT BRIDGEPORT, INC.  
K. HOVNANIAN AT BRIDGEWATER VI, INC.  
K. HOVNANIAN AT BURLINGTON III, INC.  
K. HOVNANIAN AT BURLINGTON, INC.  
K. HOVNANIAN AT CALABRIA, INC.  
K. HOVNANIAN AT CARMEL DEL MAR, INC.  
K. HOVNANIAN AT CASTILE, INC.

K. HOVNANIAN AT CHAPARRAL, INC.  
K. HOVNANIAN AT CLARKSTOWN, INC.  
K. HOVNANIAN AT CRESTLINE, INC.  
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNANIAN AT EAST WHITELAND I, INC.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT HACKETTSTOWN, INC.  
K. HOVNANIAN AT HERSHEY'S MILL, INC.  
K. HOVNANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNANIAN AT HOPEWELL IV, INC.  
K. HOVNANIAN AT HOPEWELL VI, INC.  
K. HOVNANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNANIAN AT KINGS GRANT I, INC.  
K. HOVNANIAN AT KLOCKNER FARMS, INC.  
K. HOVNANIAN AT LA TERRAZA, INC.  
K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.

K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.  
K. HOVNANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.  
K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.  
K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.  
K. HOVNANIAN AT SKYE ISLE, INC.  
K. HOVNANIAN AT SMITHVILLE, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNANIAN AT STONE CANYON, INC.  
K. HOVNANIAN AT STONY POINT, INC.  
K. HOVNANIAN AT SYCAMORE, INC.  
K. HOVNANIAN AT TANNERY HILL, INC.  
K. HOVNANIAN AT THE BLUFF, INC.  
K. HOVNANIAN AT THE CEDARS, INC.  
K. HOVNANIAN AT THORNBURY, INC.  
K. HOVNANIAN AT TIERRASANTA, INC.  
K. HOVNANIAN AT TUXEDO, INC.  
K. HOVNANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNANIAN AT VAIL RANCH, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNANIAN AT WASHINGTONVILLE, INC.  
K. HOVNANIAN AT WAYNE III, INC.  
K. HOVNANIAN AT WAYNE V, INC.  
K. HOVNANIAN AT WILDROSE, INC.  
K. HOVNANIAN COMPANIES NORTHEAST, INC.

K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN CONSTRUCTION II, INC.  
K. HOVNIANIAN CONSTRUCTION III, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
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 ILLINOIS, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MICHIGAN, 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 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 WEST VIRGINIA, INC.  
K. HOVNIANIAN EQUITIES, INC.  
K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN HOMES OF VIRGINIA, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.

THE MATZEL & MUMFORD ORGANIZATION, INC.  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH PROPERTIES, INC.  
DULLES COPPERMINE, L.L.C.  
EDISON CONTRACT SERVICES, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS, L.L.C.  
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.  
K. HOVNIANIAN AT 4S II, L.L.C.  
K. HOVNIANIAN AT 4S, L.L.C.  
K. HOVNIANIAN AT ACQUA VISTA, L.L.C.  
K. HOVNIANIAN AT ALISO, L.L.C.  
K. HOVNIANIAN AT ALLENTOWN, L.L.C.  
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.  
K. HOVNIANIAN AT AVENUE ONE, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.  
K. HOVNANIAN AT BARNEGAT II, L.L.C  
K. HOVNANIAN AT BELLA LAGO, L.L.C.  
K. HOVNANIAN AT BERKELEY, L.L.C.  
K. HOVNANIAN AT BERNARDS V, L.L.C.  
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNANIAN AT CAMDEN I, L.L.C.  
K. HOVNANIAN AT CAPISTRANO, L.L.C.  
K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNANIAN AT CHESTER I, L.L.C.  
K. HOVNANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNANIAN AT CLIFTON, L.L.C.  
K. HOVNANIAN AT CLIFTON II, L.L.C.  
K. HOVNANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNANIAN AT CRANBURY, L.L.C.  
K. HOVNANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNANIAN AT DENVILLE, L.L.C.  
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT DOVER, L.L.C

K. HOVNANIAN AT EASTLAKE, L.L.C.  
K. HOVNANIAN AT EDGEWATER II, L.L.C.  
K. HOVNANIAN AT EDGEWATER, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNANIAN AT FIRST HOMES, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.  
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 HAMBURG CONTRACTORS, L.L.C.  
K. HOVNANIAN AT HAWTHORNE, L.L.C.  
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C  
K. HOVNANIAN AT HIGHWATER, L.L.C.  
K. HOVNANIAN AT JACKSON I, L.L.C.  
K. HOVNANIAN AT JACKSON, L.L.C.  
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNANIAN AT KING FARM, L.L.C.  
K. HOVNANIAN AT LA COSTA, L.L.C.  
K. HOVNANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNANIAN AT LAWRENCE V, L.L.C.  
K. HOVNANIAN AT LINWOOD, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C  
K. HOVNANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNANIAN AT LONG BRANCH I, 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 MANALAPAN III, L.L.C.  
K. HOVNANIAN AT MANSFIELD I, LLC  
K. HOVNANIAN AT MANSFIELD II, LLC  
K. HOVNANIAN AT MANSFIELD III, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP 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 MENDHAM TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MENIFEE, L.L.C.  
K. HOVNANIAN AT MENIFEE VALLEY CONDUMINIUMS, L.L.C.  
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNANIAN AT MILLVILLE I, L.L.C.  
K. HOVNANIAN AT MILLVILLE II, L.L.C.  
K. HOVNANIAN AT MILLVILLE III, L.L.C.  
K. HOVNANIAN AT MONROE III, L.L.C.  
K. HOVNANIAN AT MONROE IV, L.L.C.  
K. HOVNANIAN AT MONTVALE, L.L.C.  
K. HOVNANIAN AT MOSAIC, L.L.C.  
K. HOVNANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
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, 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 OLD BRIDGE, L.L.C.  
K. HOVNANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNANIAN AT OSTER HOMES, L.L.C.  
K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNANIAN AT PARAMUS, L.L.C.  
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K. HOVNANIAN AT PITTSBORO, L.L.C.  
K. HOVNANIAN AT PRADO, L.L.C.  
K. HOVNANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNANIAN AT RANDOLPH I, L.L.C.  
K. HOVNANIAN AT RAPHO, L.L.C.  
K. HOVNANIAN AT READINGTON II, L.L.C.  
K. HOVNANIAN AT RED BANK, L.L.C.  
K. HOVNANIAN AT RED BANK I, L.L.C.  
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K. HOVNANIAN AT RODERUCK, L.L.C.  
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K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.



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THE LANDINGS AT SPINNAKER POINTE, L.L.C.  
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, LLC  
GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNIANIAN OF HOUSTON II, L.P.

K. HOVNIANIAN OF HOUSTON, L.P.  
M & M INVESTMENTS, L.P.

[SIMPSON THACHER & BARTLETT LLP LETTERHEAD]

August 24, 2005

K. Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, New Jersey 07701

Ladies and Gentlemen:

We have acted as counsel to K. Hovnanian Enterprises, Inc., a California corporation (the "Company"), to Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and to certain subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors") in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company and the Guarantors with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to the issuance by the Company of \$300,000,000 aggregate principal amount of 6.25% Senior Notes due 2016 (the "Exchange Securities") and the issuance by the Guarantors of guarantees (the "Guarantees") with respect to the Exchange Securities. The Exchange Securities and the Guarantees will be issued under an indenture dated as of August 8, 2005 (the "Indenture") among the Company, the Guarantors and Wachovia Bank, National Association, as trustee (the "Trustee"). The Exchange Securities will be offered by the Company in exchange for \$300,000,000 aggregate principal amount of its outstanding 6.25% Senior Notes due 2016.

We have examined the Registration Statement and the Indenture, which has been filed with the Commission as an exhibit to the Registration Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such corporate records, agreements, documents and other instruments and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, we have relied upon certificates or comparable documents of public officials and of officers and representatives of the Company and the Guarantors.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents. We also have assumed that the Indenture is the valid and legally binding obligation of the Trustee.

We have assumed further that (1) the Company and the Guarantors have duly authorized, executed and delivered the Indenture and (2) execution, delivery and performance by the Company and the Guarantors of the Indenture and the Exchange Securities and the Guarantees do not and will not violate the law of the State of California or any other applicable law (excepting the law of the State of New York and the federal laws of the United States).

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. When the Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Indenture upon the exchange, the Exchange Securities will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.
  2. When (a) the Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Indenture upon the exchange and (b) the Guarantees have been duly executed and issued, the Guarantees will constitute valid and legally
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binding obligations of the Guarantors enforceable against the Guarantors in accordance with their terms.

Our opinions set forth 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.

We do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States.

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

/s/ SIMPSON THACHER & BARTLETT LLP

SIMPSON THACHER & BARTLETT LLP

## QuickLinks

[Exhibit 5.1](#)

[\[SIMPSON THACHER & BARTLETT LLP LETTERHEAD\]](#)

**\$1,200,000,000 REVOLVING CREDIT FACILITY  
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

by and among

**K. HOVNIANIAN ENTERPRISES, INC.  
(as the Borrower)**

**HOVNIANIAN ENTERPRISES, INC.  
(as a Guarantor)**

and

**THE LENDERS PARTY HERETO**

and

**PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent**

**Bank of America, N.A.**

**Wachovia Bank, National Association,**

as

**Syndication Agents**

and

**JP Morgan Chase Bank, N.A.**

**The Royal Bank of Scotland plc**

**KeyBank National Association**

as

**Documentation Agents**

**PNC Capital Markets, LLC,**

**Wachovia Securities, Inc., and**

**Banc of America Securities LLC**

as

**Joint Lead Arrangers and Joint Book Runners**

**Guaranty Bank**

**SunTrust Bank**

**US Bank National association**

**BNP Paribas**

**Calyon New York Branch**

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**Comerica Bank**

**Emigrant Savings Bank**

**Citigroup North America, Inc.**

as

**Co-Managing Agents**

**Washington Mutual Bank FA**

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## FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS **FIFTH AMENDED AND RESTATED CREDIT AGREEMENT** is dated June 14, 2005 and is made by and among K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the "Borrower"), HOVNIANIAN ENTERPRISES, INC., a Delaware corporation ("Hovnianian" and a "Guarantor"), the LENDERS (as hereinafter defined), and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Lenders under this Agreement (hereinafter referred to in such capacity as the "Agent").

WITNESSETH:

WHEREAS, the Lenders provided a \$900,000,000 revolving credit facility to the Borrower pursuant to an Amended and Restated Credit Agreement dated June 18, 2004 among the parties hereto (the "Prior Credit Agreement");

WHEREAS, the Borrower and the Lenders have agreed that the Prior Credit Agreement be amended and restated as provided herein;

WHEREAS, the revolving credit provided hereunder shall be used to refinance existing indebtedness, provide for letters of credit and provide working capital and funds for general corporate purposes;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

### 1. CERTAIN DEFINITIONS

#### 1.1 Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Adjusted Operating Income shall mean for any period the sum of (i) consolidated net income of Hovnianian for such period, (ii) to the extent deducted in arriving at such net income, consolidated income taxes, consolidated interest expense, Letter of Credit Fees, depreciation, amortization, non-cash valuation charges or adjustments and (iii) cash distributions received by any Loan Party from Non-Restricted Persons during such period. Adjusted Operating Income shall exclude net income or loss of Non-Restricted Persons.

Adjusted Tangible Net Worth (or ATNW) shall mean as of any date (i) consolidated shareholders equity (including Qualified Preferred Equity) of Hovnianian as of such date minus, without duplication (ii) (A) Intangibles, (B) the Dollar amount of Restricted Investments (C) equity (comprising "cost" according to GAAP minus the amount of debt secured by applicable mortgages) in residential inventory properties purchased with the proceeds of, and secured by, Purchase Money Mortgages as of such date, all as calculated and consolidated in accordance with GAAP.

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Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 10% or more of any class of the voting or other equity interests of such Person, or (iii) 10% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agent shall mean PNC Bank, National Association, and its successors and assigns.

Agent's Fees shall have the meaning assigned to that term in Section 9.15 [Agent's Fees].

Agent's Letters shall have the meaning assigned to that term in Section 9.15 [Agent's Fees].

Agreement shall mean this Credit Agreement, as the same may be supplemented or amended from time to time, including all schedules and exhibits.

Annual Statements shall have the meaning assigned to that term in Section 5.1.8(i) [Historical Statements]).

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Anti-Terrorism Laws shall mean any Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department's Office of Foreign Asset Control (as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced).

Applicable Commitment Fee Rate shall mean the percentage rate per annum based on the Leverage Ratio then in effect according to the pricing grid on Schedule 1.1(A)(1) below the heading "Commitment Fee." The Applicable Commitment Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A)(1).

basis points. Applicable Letter of Credit Fee Rate shall mean the Applicable Margin under the LIBO-Rate Option less 12.5

Applicable Margin shall mean, as applicable:

(A) the percentage spread to be added to Base Rate under the Base Rate Option based on the Leverage Ratio and level of Debt Rating then in effect according to the pricing grid on Schedule 1.1(A)(1) below the heading “Base Rate Margin,” and

(B) the percentage spread to be added to LIBO-Rate under the LIBO-Rate Option based on the Leverage Ratio and level of Debt Rating then in effect according to the pricing grid on Schedule 1.1(A)(1) below the heading “Libor Margin”.

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The Applicable Margin shall be computed in accordance with the parameters set forth on Schedule 1.1(A)(1).

Assignee Lender shall have the meaning assigned to such term in Section 2.10.2 [Approval by 80% Lenders].

Assignment and Assumption Agreement shall mean an Assignment and Assumption Agreement by and among a Purchasing Lender, a Transferor Lender and the Agent, as Agent and on behalf of the remaining Lenders, substantially in the form of Exhibit 1.1(A).

Authorized Officer shall mean those individuals listed on Schedule 1.1(A)(2) or otherwise designated by written notice to the Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Agent.

Average Daily Usage Percentage for any period shall mean the average daily ratio (expressed as a percentage) of the following for such period: (i) the Revolving Facility Usage to (ii) the Revolving Credit Commitments.

Base Rate shall mean the greater of (i) the interest rate per annum announced from time to time by the Agent at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Agent, or (ii) the Federal Funds Open Rate plus 1/2% per annum.

Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(i) [Revolving Credit Base Rate Option].

Benefit Arrangement shall mean at any time an “employee benefit plan,” within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by the Borrower.

Blocked Person shall have the meaning assigned to such term in Section 5.1.23.

Borrower shall mean K. Hovnanian Enterprises, Inc., a corporation organized and existing under the laws of the State of California and wholly-owned by Hovnanian.

Borrowing Base shall mean at any time, the Dollar amount equal to the sum of the following items, each owned free and clear of all Liens (except Permitted Liens of the type described in items (i), (ii), (iii), (iv), (v), (vi) and (xii) of the definition of “Permitted Liens”) by the Borrower, Hovnanian or a Restricted Subsidiary:

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- (i) 100% of Excess Cash;
- (ii) 95% of Sold Homes;
- (iii) 70% of Unsold Homes; and
- (iv) 55% of Finished Lots and Land Under Development;

provided however that the Borrowing Base shall exclude in all events the Dollar amount of

- (i) property located outside of the United States of America;
- (ii) Unentitled Land;
- (iii) any residential or commercial property owned by Hovnanian or any Subsidiary which is leased or held for purposes of leasing primarily to unaffiliated third parties; and
- (iv) properties subject to any Purchase Money Mortgage.

The determination of the Agent in respect of the Borrowing Base shall be conclusive absent manifest error.

Borrowing Base Certificate shall mean the Borrowing Base Certificate in the form of Exhibit 7.3.3.2 duly completed and delivered by the Borrower pursuant to Section 7.3.3.2 [Borrowing Base Certificate].

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (i) any Loans to which a LIBO-Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business at the Principal Office or in New York, New York and if the applicable Business Day relates to any Loan to which the LIBO-Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

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Capital Stock Retirement shall mean any repurchase, redemption, acquisition or retirement of any capital stock or other ownership interest of Hovnanian or of any warrants, options or other rights to purchase such capital stock or other ownership interest; provided that "Capital Stock Retirement" shall not include the conversion or exchange of any of the foregoing into shares of capital stock of Hovnanian.

Closing Date shall mean June 14, 2005, which shall be the date hereof.

Commitment shall mean as to any Lender its Revolving Credit Commitment and, in the case of the Agent, its Revolving Credit Commitment and its Swing Loan Commitment; and Commitments shall mean the aggregate of the Revolving Credit Commitments of all of the Lenders, including the Swing Loan Commitment of the Agent.

Commitment Fee shall have the meaning assigned to that term in Section 2.3 [Commitment Fees].

Compliance Certificate shall have the meaning assigned to such term in Section 7.3.3 [Certificates of the Borrower].

Contamination shall mean the presence or release or threat of release of Regulated Substances in, on, under or emanating to or from any of the Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the investigation, cleanup, removal, remediation, containment, abatement of or other response action or which otherwise constitutes a violation of Environmental Laws.

Corporate Office Subsidiary shall mean any Subsidiary that owns, as its primary asset, an office building which is occupied, in whole or in part, by Hovnanian or one or more of its Subsidiaries. Any such Corporate Office Subsidiary may be a Restricted Subsidiary or Non-Restricted Person in accordance with the terms of this Agreement. The Corporate Office Subsidiaries as of the date hereof are identified as such on Exhibit 1.1(C).

Debt Rating shall mean the rating of Hovnanian's senior unsecured long-term debt by each of Standard & Poor's, Moody's and Fitch.

Default Rate shall have the meaning assigned to that term in Section 3.3.1 [Default Rate].

Dividends shall mean any dividend or distribution by a Person in respect of its capital stock or ownership interests, whether in cash, property or securities.

Dollar, Dollars, U.S. Dollars and the symbol \$ shall mean lawful money of the United States of America.

Drawing Date shall mean each date that an amount is paid by the Letter of Credit Lender under any Letter of Credit.

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Dwelling Unit shall mean a residential housing unit held for sale by a Loan Party.

Environmental Complaint shall mean any written complaint by any Person or Official Body setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws or under any order, notice of violation, citation, subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

Environmental Laws shall mean all federal, state, local and foreign Laws and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health or the environment; (iii) employee safety in the workplace; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species; and (vii) the protection of Environmentally Sensitive Areas.

Environmentally Sensitive Area shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws; or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Borrower and any entity (whether or not incorporated) that is under common control with the Borrower within the meaning of Section 4001 of ERISA, or the Borrower and all other entities which, together with the Borrower, are treated as a single employer under Sections 414 (b) or (c) of the Internal Revenue Code.

Event of Default shall mean any of the events described in Section 8.1 [Events of Default] and referred to therein as an "Event of Default."

Excess Cash shall mean cash that would appear on a consolidated balance sheet of Hovnanian (to the extent not pledged or encumbered in any way (other than in connection with a Permitted Lien of the type described in item (xii) of the definition of Permitted Liens, but only to the extent that no outstanding Indebtedness or other

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liabilities are owed to the applicable institution or such institution is a Lender)) in excess of \$10,000,000.

Executive Order No. 13224 shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

Existing Lenders shall have the meaning assigned to such term in Section 2.12 [Increases in Revolving Credit Commitments.]

Expiration Date shall mean, with respect to the Revolving Credit Commitments, July 30, 2009 as such may be extended pursuant to Section 2.10 [Extension by Lenders of the Expiration Date].

Extending Lender shall have the meaning assigned to such term in Section 2.10.2 [Approval by 80% Lender].

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

Federal Funds Open Rate shall mean the rate per annum determined by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the "open" rate for federal funds transactions as of the opening of business for federal funds transactions among members of the Federal Reserve System arranged by federal funds brokers on such day, as quoted by Garvin Guybutler, any successor entity thereto, or any other broker selected by the Agent, as set forth on the applicable Telerate display page; provided, however; that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the "open rate" on the immediately preceding Business Day, or if no such rate shall be quoted by a Federal funds broker at such time, such other rate as determined by the Agent in accordance with its usual procedures.

Financial Projections shall have the meaning assigned to that term in Section 5.1.8(ii) [Financial Projections].

Finished Lots and Land Under Development shall mean the Dollar amount of the lower of (i) actual cost (including land costs and capitalized expenses relating thereto) or (ii) the market value (determined in accordance with GAAP) of any land owned by a Loan Party that has been granted Preliminary Approvals until a time which is the earlier of when (x) it is "Unsold Homes" and (y) it is "Sold Homes".

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Fitch shall mean Fitch IBCA, Duff & Phelps, a division of Fitch, Inc., and its successors.

Fixed Charge Coverage Ratio shall mean the ratio, as of any date of determination, of (i) Adjusted Operating Income for the prior twelve (12) months to (ii) four (4) multiplied by Fixed Charges for the most-recently ended fiscal quarter.

Fixed Charges shall mean as of the last day of any fiscal quarter the sum, without duplication, of (i) interest cost incurred on all Senior Homebuilding Indebtedness over the past fiscal quarter; (ii) interest cost incurred on the Subordinated Debt over the past fiscal quarter; (iii) 50% of the interest cost incurred on all Purchase Money Mortgages over the past fiscal quarter; (iv) Letter of Credit Fees accrued over the past fiscal quarter; and (v) the interest component of capitalized leases over the past fiscal quarter.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3 [Accounting Principles], and applied on a consistent basis both as to classification of items and amounts.

Governmental Acts shall have the meaning assigned to that term in Section 2.9.8 [Indemnity].

Guarantor shall mean each of the parties to the Guaranty Agreement (and designated as a "Guarantor" on Schedule 1.1(C)) and each other Person which joins the Guaranty Agreement as a Guarantor after the date hereof pursuant to Section 10.18 [Joinder of Guarantors]. As of the Closing Date, Hovnanian shall be a Guarantor and all Restricted Subsidiaries other than the Borrower shall be Guarantors.

Exhibit 1.1(G)(2).

Guarantor Joinder shall mean a joinder by a Person as a Guarantor under the Guaranty Agreement in the form of

Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness of any other Person in any manner, whether directly or indirectly.

Guaranty Agreement shall mean the Amended and Restated Guaranty and Suretyship Agreement dated the Closing Date in the form attached as Exhibit 1.1(G)(1) hereto and executed and delivered by each of the Guarantors to the Agent for the benefit of the Lenders, as supplemented by joinders delivered from time to time in respect of new Guarantors.

Hedge Agreement shall mean, as to any Person, any swap, cap, collar or similar arrangement entered into by such Person providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

Hedge Agreement Termination Value shall mean, in respect of any one or more Hedge Agreements, after taking into account the effect of any legally

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enforceable netting agreement relating to such Hedge Agreements, (a) for any date on or after the date such Hedge Agreements have been closed out at termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market or other readily available quotations provided by any recognized dealer in such Hedge Agreements (which may include a Lender or any Affiliate of a Lender).

High Leverage Period shall mean any fiscal quarter for which the Leverage Ratio as of the end date of such quarter exceeds 2.10 to 1.00.

Historical Statements shall have the meaning assigned to that term in Section 5.1.8((i)) [Historical Statements].

Homebuilding Indebtedness shall mean as of any date the sum of (i) Senior Homebuilding Indebtedness as of such date and (ii) Subordinated Debt as of such date.

Hovnanian shall mean Hovnanian Enterprises, Inc., a Delaware corporation, shares of whose Class A Common Stock are registered pursuant to the Securities Exchange Act of 1934.

Indebtedness shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, (iv) all net obligations under any Hedge Agreement (measured as the Hedge Agreement Termination Value thereof) (v) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not more than ninety (90) days past due or that are being contested in good faith by appropriate proceedings), if and to the extent any of the foregoing in this item (v) would appear as a liability on the balance sheet of such Person prepared on a consolidated basis in accordance with GAAP, or (vi) any Guaranty of Indebtedness for borrowed money. Indebtedness shall not include Qualified Preferred Equity.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors undertaken under any Law.

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Intangibles shall mean all patents, patent applications, copyrights, trademarks, tradenames, goodwill, organization expenses and other like items of Hovnanian and its Subsidiaries which are treated as intangibles under GAAP.

Interest Period shall mean the period of time selected by the Borrower in connection with (and to apply to) any election permitted hereunder by the Borrower to have Revolving Credit Loans bear interest under the LIBO-Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months if Borrower selects the LIBO-Rate Option. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (i) the Borrowing Date if the Borrower is requesting new Loans, or (ii) the date of renewal or conversion to the LIBO-Rate Option if the Borrower is renewing or converting to the LIBO-Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date.

Interest Rate Option shall mean any LIBO-Rate Option or Base Rate Option.

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Investment shall mean any loan or advance to or on behalf of, or purchase, acquisition or ownership of any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other similar investment or interest in, or any capital contribution made to, any other Person, or any agreement to become or remain liable to do any of the foregoing.

Investment Grade Level shall mean, with respect to the rating of Hovnanian's senior unsecured long-term debt by any of Standard & Poor's, Moody's or Fitch, a rating at or above the following level by such rating agency:

| <u>Rating Agency</u>         | <u>Minimum Level for "Investment Grade" Rating</u> |
|------------------------------|--|
| <u>Standard &amp; Poor's</u> | <u>BBB-</u>  |
| <u>Moody's</u>               | <u>Baa3</u>  |
| <u>Fitch</u>                 | <u>BBB-</u>  |

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Investment Grade Period shall mean the period commencing on the date on which the Borrower delivers to the Agent evidence satisfactory to the Agent that Hovnanian's senior unsecured long-term debt is rated at or above the Investment Grade Level by at least two of any of the three rating agencies listed below and shall terminate on the date on which Hovnanian's senior unsecured long-term debt ceases to be rated at the Investment Grade Level or higher by at least two of such rating agencies: (i) Moody's, (ii) Standard & Poor's and (iii) Fitch.

Investment in Related Businesses shall have the meaning assigned to such term in Section 7.2.6.

Joint Ventures shall mean any Person in whom a Loan Party has an ownership interest and which is not a "Subsidiary" as defined in this Agreement. Each of the Joint Ventures as of the Closing Date is listed on Schedule 1.1(C).

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party or Subsidiary of a Loan Party and its employees.

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.

Letter of Credit shall have the meaning assigned to that term in Section 2.9.1 [Issuance of Letters of Credit].

Letter of Credit Lender shall have the meaning assigned to that term in Section 2.9.1 [Issuance of Letters of Credit].

Letter of Credit Borrowing shall have the meaning assigned to such term in Section 2.9.3.4 [Disbursements, Reimbursement].

Letter of Credit Fee shall have the meaning assigned to that term in Section 2.9.2 [Letter of Credit Fees].

Letter of Credit Outstandings shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations and Letter of Credit Borrowings.

Leverage Ratio shall mean the ratio of (x)(i) Homebuilding Indebtedness minus (ii) Excess Cash to (y) Adjusted Tangible Net Worth.

LIBO-Rate shall mean, with respect to the Loans comprising any Borrowing Tranche to which the LIBO-Rate Option applies for any Interest Period, the interest rate per annum determined by the Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest

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determined by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates for U.S. Dollars quoted by the British Bankers' Association as set forth on Moneyline Telerate (or appropriate successor or, if the British Bankers' Association or its successor ceases to provide such quotes, a comparable replacement determined by the Agent) display page 3750 (or such other display page on the Moneyline Telerate service as may replace display page 3750) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the LIBO-Rate Reserve Percentage. The LIBO-Rate may also be expressed by the following formula:

$$\text{LIBO-Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA or appropriate successor as shown on Moneyline Telerate Service display page 3750}}{1.00 - \text{LIBO-Rate Reserve Percentage}}$$

The LIBO-Rate shall be adjusted with respect to any Loan to which the LIBO-Rate Option applies that is outstanding on the effective date of any change in the LIBO-Rate Reserve Percentage as of such effective date. The Agent shall give prompt notice to the Borrower of the LIBO-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.



LIBO-Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii) [Revolving Credit LIBO-Rate Option].

LIBO-Rate Reserve Percentage shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency Liabilities”).

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

LLC Interests shall have the meaning assigned to such term in Section 5.1.2 [Subsidiaries ].

Loan Documents shall mean this Agreement, the Agent’s Letters, the Notes, the Guaranty Agreement, and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and Loan Document shall mean any of the Loan Documents. Each of the Loan Documents under the Prior Credit Agreement shall be Loan Documents hereunder.

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Loan Parties shall mean the Borrower and the Guarantors.

Loan Request shall have the meaning assigned to that term in Section 2.5 [Revolving Credit Loan Requests; Swing Loan Requests].

Loans shall mean collectively all Revolving Credit Loans and Swing Loans and Loan shall mean separately, any Revolving Credit Loan or Swing Loan.

Material Adverse Change shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or business prospects of the Loan Parties taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform their material indebtedness for borrowed money, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Agent or any of the Lenders, to the extent permitted, to enforce their legal remedies pursuant to this Agreement, the Notes or the Guaranty Agreement.

Month, with respect to an Interest Period under the LIBO-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any LIBO-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Moody’s shall mean Moody’s Investors Service, Inc. and its successors.

Mortgage Subsidiary shall mean each Subsidiary which is in the business of making residential mortgage loans. Each of the Mortgage Subsidiaries as of the Closing Date is listed on Schedule 1.1(C).

Multiemployer Plan shall mean any employee benefit plan which is a “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA.

New Lender shall have the meaning assigned to such term in Section 2.12 [Increases in Revolving Credit Commitments.]

Non-approving Lender shall have the meaning assigned to such term in Section 2.10.2 [Approval by 80% Lenders].

Non-Restricted Person shall mean any (i) Joint Venture and (ii) Subsidiary of Hovnanian which is not a Restricted Subsidiary. Each of the Non-Restricted Persons as of the Closing Date is listed on Schedule 1.1(C).

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Notes shall mean the Revolving Credit Notes and the Swing Note.

Notices shall have the meaning assigned to that term in Section 10.6 [Notices].

Obligation shall mean any obligation or liability of any of the Loan Parties to the Agent or any of the Lenders, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, any Notes, the Letters of Credit, the Agent’s Letters or any other Loan Document.

Official Body shall mean any national, federal, state, local or other government 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.

Participation Advance shall mean, with respect to any Lender, such Lender's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.9.4 [Repayment of Participation Advances].

Partnership Interests shall have the meaning assigned to such term in 5.1.2. [Subsidiaries ].

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Permitted Acquisitions shall have the meaning assigned to such term in Section 7.2.4 [Liquidations, Mergers, Consolidations, Acquisitions].

Permitted Investments shall mean a Loan Party's Investment in:

(a) (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 Lender or 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 P-1 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;

(ii) investment grade commercial paper or debt or commercial paper issued by a Lender or a bank holding company of a Lender having a maturity date of one year or less from the date of purchase; and

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(iii) funds holding assets primarily consisting of those described in clause (i) and (ii) hereof;

(b) loans or advances to employees of a Loan Party in the ordinary course of business;

(c) any Person that is or concurrently becomes a Loan Party;

(d) purchase money notes not exceeding \$25,000,000 principal amount in the aggregate received incident to sales of property by a Restricted Subsidiary;

(e) trade credit extended on usual and customary terms in the ordinary course of business;

(f) loans to officers and directors to the extent permitted by Section 7.2.6.2 [Restricted Payments; Restricted Investments; Investments in Related Businesses];

(g) marketable securities costing at the time of purchase no more than \$3,000,000 in the aggregate of any one or more residential real estate developers and which are registered under the Securities Exchange Act of 1934;

(h) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts or disputes with or judgments against, contractors, suppliers or customers, in each case in the ordinary course of business; and

(i) other Investments not in excess of \$25,000,000 in the aggregate.

Permitted Liens shall mean:

(i) Liens for taxes, assessments or other governmental charges not yet payable or being contested in good faith and as to which adequate reserves shall have been established in accordance with GAAP;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workers' compensation, or to participate in any fund in connection with workers' compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Mechanics', materialmen's, warehousemen's, carriers' or other like liens arising in the ordinary course of business securing obligations which are not overdue for a period longer than 30 days or which are being contested in good faith by appropriate proceedings;

(iv) Pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of

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borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests and mortgages in favor of the Agent for the benefit of the Lenders;

(vii) Liens on property leased by any Loan Party or Subsidiary of a Loan Party under capital and operating leases not prohibited by this Agreement securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(viii) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(ix) Purchase Money Mortgages and Purchase Money Security Interests and Liens on the real property owned by Hovnanian or a Corporate Office Subsidiary and occupied primarily by employees of Hovnanian or its subsidiaries, including Liens on the real property which serves as Hovnanian's headquarters in Red Bank, New Jersey securing Indebtedness not to exceed in aggregate \$25,000,000 principal amount; and

(x) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and they do not in the aggregate materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits (except to the extent such attachment constitutes an Event of Default under Section 8.1.8);

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens;

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(4) Liens resulting from final judgments or orders described in Section 8.1.6 [Final Judgments or Orders] (to the extent that judgments or orders and related Liens do not constitute Events of Default under such Section 8.1.6);

(xi) Liens, security interests, mortgages, or deeds of trust on real estate in conjunction with purchase contracts for the purchase of the land comprising such real estate, which secure future payments due to the land sellers at the time of the sale of the homes on such land and which are contingent on the sale price of such homes, including (a) adjustments to the land purchase price, (b) profit participations, (c) community marketing fees and community enhancement fees, and (d) reimbursable costs paid by the land developer;

(xii) Liens arising under applicable Law (as opposed to consensual Liens granted by contract), or confirmations or acknowledgments thereof, created in the ordinary course of business in favor of banks or other financial institutions over credit balances in any bank account at such bank or financial institution; and

(xiii) Other Liens securing obligations not in excess of \$5,000,000 in the aggregate, and.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code in respect of which the Borrower or any member of the ERISA Group is an "employer" as defined in Section 3(5) of ERISA.

PNC Bank shall mean PNC Bank, National Association, its successors and assigns.

Potential Default shall mean any event or condition which with notice, passage of time or a determination by the Agent or the Required Lenders, or any combination of the foregoing, would constitute an Event of Default.

Preliminary Approvals shall mean the following: (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.

Principal Office shall mean the main banking office of the Agent in Pittsburgh, Pennsylvania or such other location so designated by the Agent.

Prior Credit Agreement shall have the meaning assigned to such term in the preamble to this Agreement.

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Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

Property shall mean all real property, both owned and leased, of any Loan Party or Subsidiary of a Loan Party.

Purchase Money Mortgage shall mean any non-recourse mortgages granted to secure Indebtedness of any Loan Party.

Purchase Money Security Interest shall mean Liens upon tangible personal property securing loans to any Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property and excluding Purchase Money Mortgages.

Purchasing Lender shall mean a Lender which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

Qualified Preferred Equity shall mean preferred equity issued by Hovnanian or any wholly-owned subsidiary thereof provided that each of the following conditions is met: (1) the total book value thereof shall not at any time exceed \$250,000,000, (2) the term thereof shall be perpetual and such Qualified Preferred Equity shall not contain any mandatory redemption provisions, put rights in favor of the holders thereof, or any provisions that may obligate the issuer to repurchase any or all of such Qualified Preferred Equity at any time, (3) such Qualified Preferred Equity shall not provide the holders with cumulative dividends rights, and (4) the Borrower shall have disclosed to the Agent the terms of such Qualified Preferred Equity prior to the issuance thereof.

Ratable Share shall mean so long as any Commitments are outstanding the proportion that a Lender's Commitment (excluding the Swing Loan Commitment) bears to the Commitments (excluding the Swing Loan Commitment) of all of the Lenders and after all Commitments have been terminated, the proportion that a Lender's Revolving Credit Loans outstanding bears to all Revolving Credit Loans outstanding of all of the Lenders.

Regulated Substances shall mean any substance, material or waste defined under Environmental Laws as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic substance," "toxic waste," "hazardous waste," "special handling waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any other material, substance or waste which otherwise is regulated by Environmental Laws.

Regulation U shall mean Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

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Reimbursement Obligation shall mean the obligation of the Borrower to reimburse a Letter of Credit Lender for draws under a Letter of Credit issued by such Lender under this Agreement, except to the extent such obligation is represented by a Revolving Credit Loan.

Related Businesses shall mean business activities incidental, complementary, or related to the homebuilding business.

Reportable Event shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan other than those events as to which the 30-day notice is waived under the PBGC regulations.

Required Lenders shall mean

(i) if there are no Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Lenders whose Commitments (excluding the Swing Loan Commitments) aggregate at least 66 2/3% of the Revolving Credit Commitments of all of the Lenders, or

(ii) if there are Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, any Lender or group of Lenders if the sum of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of such Lenders then outstanding aggregates at least 66 2/3% of the total principal amount of all of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings then outstanding.

Reimbursement Obligations and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Agent and not a participating Lender if such Lender has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Lender to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

Required Environmental Permits shall mean all permits, licenses, bonds, consents, programs, approvals or authorizations required under Environmental Laws to own, occupy or maintain the Property or which otherwise are required by Environmental Law for the operations and business activities of the Loan Parties.

Required Share shall have the meaning assigned to such term in Section 4.8 [Settlement Date Procedures].

Restricted Investment shall mean a Loan Party's Investment that constitutes a Subsidiary Investment in any Non-Restricted Person.

Restricted Payments shall mean

(i) Dividends and Capital Stock Retirement payments after January 31, 2001 by Hovnanian or otherwise to the shareholders of Hovnanian; and

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(ii) Payments (whether in the form of principal payments, note repurchases or similar items) to the holder of Subordinated Debt made on or after January 31, 2001; provided, however, with respect to this item (ii), a refinancing of the Subordinated Debt to the extent consisting of the repayment of the Subordinated Debt and the incurring of new "Subordinated Debt" within 60 days of such repayment shall not constitute a "Restricted Payment"; and

(iii) Any payments by Hovnanian or its Subsidiaries in respect of Qualified Preferred Equity.

Restricted Subsidiaries shall mean any Subsidiary that has not been designated a Non-Restricted Person as of the Closing Date or in accordance with Section 2.11 [Designation of Subsidiaries and Release of Guarantors]. Each of the Restricted Subsidiaries as of the Closing Date is listed on Schedule 1.1(C).

Revolving Credit Commitment shall mean, as to any Lender at any time, the amount set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Revolving Credit Loans" or on Schedule I to the Assignment and Assumption Agreement pursuant to which such Lender became a party hereto, and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the Lenders.

Revolving Credit Commitment Increase Date shall have the meaning assigned to such term in Section 2.12 [Increases in Revolving Credit Commitments.]

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Lenders or one of the Lenders to the Borrower pursuant to Section 2.1 [Revolving Credit Commitments] or 2.9.3 [Disbursements, Reimbursement].

Revolving Credit Note shall mean any Revolving Credit Note of the Borrower in the form of Exhibit 1.1(R), issued by the Borrower payable to the order of each Lender (unless a Lender requests that the Borrower not issue a Note to such Lender) in a face amount equal to such Lender's Revolving Credit Commitment pursuant to Section 4.7 [Notes] evidencing the Revolving Credit Loans to such Lender, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Revolving Facility Usage shall mean at any time the sum of the Revolving Credit Loans outstanding, Swing Loans outstanding and the Letter of Credit Outstandings.

SEC shall mean the Securities and Exchange Commission or any governmental agencies substituted therefor.

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Senior Homebuilding Indebtedness shall mean the sum (without duplication) of (a) outstanding principal amount of the Obligations, (b) letters of credit (whether or not issued under this Agreement), (c) Guaranties by any Loan Party of any obligation of any Person which is not a Restricted Subsidiary or Hovnanian, (d) Senior Notes, (e) surety bonds (or similar products) issued by bonding companies in lieu of cash payments or cash deposits on contracts for any Loan Party to acquire land inventory in respect of which a Loan Party is obligated and (f) other Indebtedness of Hovnanian or a Restricted Subsidiary which is permitted under this Agreement; provided however, that "Senior Homebuilding Indebtedness" shall not include (i) debt secured by Purchase Money Security Interests and Purchase Money Mortgages and (ii) Subordinated Debt.

Senior Notes shall mean the (i) \$150,000,000 principal amount 10 1/2% Senior Notes of the Borrower and guaranteed by Hovnanian due October 2007; (ii) \$100,000,000 principal amount 8.0% Senior Notes of the Borrower due April 2012 and guaranteed by Hovnanian; (iii) \$215,000,000 principal amount 6.50% Senior Notes of the Borrower due January 2014 and guaranteed by Hovnanian; (iv) \$150,000,000 principal amount 6.375% Senior Notes of the Borrower due 2014 and guaranteed by Hovnanian; and (v) other notes sold or guaranteed by Hovnanian or the Borrower from time to time after the Closing Date on terms not materially less favorable to the Lenders (as determined by the Agent) as those described in clauses (i) and (ii) above.

Settlement Date shall mean the date selected from time to time by the Agent (after consulting the Borrower) on which the Agent elects to effect settlement pursuant to Section 4.8 [Settlement Date Procedures].

Sold Homes shall mean the Dollar amount of the capitalized construction costs of any Dwelling Unit upon which a third party purchaser has paid a cash deposit pursuant to an enforceable agreement of sale. Such cost shall include the proportional costs of the land under the Dwelling Unit, site improvements and soft costs incurred to date.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Subordinated Debt shall mean (i) the \$150,000,000 principal amount 8.875% Senior Subordinated Notes due in April 2012; (ii) the \$150,000,000 principal amount 7.75% Senior Subordinated Notes due in 2013; and (iii) any other unsecured indebtedness of the Borrower, Hovnanian, or any other Loan Party which is subordinated by its terms to the prior payment in full of the Obligations evidenced by this Agreement, the Notes and the Letters of Credit, as may be outstanding from time to time, in a manner no less favorable to the Lenders in any material respect than the terms of the Subordinated Debt described in clause (i) above and which contain covenants that are not materially less favorable to Hovnanian, the Borrower or any other Loan Party than those contained in the Subordinated Debt described in clause (i) above.

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Subsidiary of any Person at any time, shall mean a corporation, partnership, limited liability company or other entity (i) whose assets and liabilities are consolidated with Hovnanian in accordance with GAAP (except for joint ventures or similar arrangements which would not be considered "Subsidiaries" of a Loan Party but for the application of FASB Interpretation No. 46 regarding consolidation issued by the Financial Accounting Standards Board (FASB) in January, 2003) and (ii) of which shares of stock or other ownership interests having ordinary voting power (other than

stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Hovnanian.

Subsidiary Investment shall mean with respect to any Subsidiary or Joint Venture the sum of (x) loans to such Person by Hovnanian or a Restricted Subsidiary and (y) Hovnanian's or a Restricted Subsidiary's share of equity in such Person.

Subsidiary Shares shall have the meaning assigned to that term in Section 5.1.2 [Subsidiaries].

Swing Loan Commitment shall mean PNC Bank's commitment to make Swing Loans to the Borrower pursuant to Section 2.1.2 [Swing Loan Commitment] hereof in an aggregate principal amount of up to \$30,000,000.

Swing Loan Note shall mean the Swing Loan Note of the Borrower in the form of Exhibit 1.1(S) evidencing the Swing Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Swing Loan Request shall mean a request for Swing Loans made in accordance with Section 2.4.2 [Swing Loan Requests] hereof.

Swing Loans shall mean collectively and Swing Loan shall mean separately all Swing Loans or any Swing Loan made by PNC Bank to the Borrower pursuant to Section 2.1.2 [Swing Loan Commitment] hereof.

Transferor Lender shall mean the selling Lender pursuant to an Assignment and Assumption Agreement.

Unentitled Land shall mean the Dollar value of land owned by a Loan Party which has not been granted Preliminary Approvals, calculated at the lower of (i) the actual cost (including land costs and capital expenses relating thereto) or (ii) the market value (as determined in accordance with GAAP) thereof.

Unsold Dwelling Units shall mean the number of Dwelling Units owned by a Loan Party comprising from time to time "Unsold Homes".

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Unsold Homes shall mean the Dollar amount of capitalized construction costs of any Dwelling Unit being built by a Loan Party for which the construction of slab (or foundation) has been completed and upon which no cash deposit has been paid pursuant to an enforceable agreement of sale. Such Dollar amount shall include the proportional costs of the land under the Dwelling Unit, site improvements and soft costs actually incurred to date.

USA Patriot Act shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

## 1.2 Construction.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

### 1.2.1 Number; Inclusion.

references to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

### 1.2.2 Determination.

references to "determination" of or by the Agent or the Lenders shall be deemed to include good-faith estimates by the Agent or the Lenders (in the case of quantitative determinations) and good-faith beliefs by the Agent or the Lenders (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error;

### 1.2.3 Agent's Discretion and Consent.

whenever the Agent or the Lenders are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good faith;

### 1.2.4 Documents Taken as a Whole.

the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

### 1.2.5 Headings.

the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any) preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the

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construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.2.6. Implied References to this Agreement.

article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified;

1.2.7. Persons.

reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.2.8. Modifications to Documents.

reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.2.9. From, To and Through.

relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.2.10. Shall; Will.

references to "shall" and "will" are intended to have the same meaning.

1.3 Accounting Principles.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 7.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 7.2 [Negative Covenants]) shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Annual Statements referred to in Section 5.1.8(i) [Historical Statements]. In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 7.2 [Negative Covenants] based upon the Loan Parties' regularly prepared

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financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Loan Parties' financial statements at that time.

2. REVOLVING CREDIT AND SWING LOAN FACILITIES

2.1 Revolving Credit Commitments.

2.1.1. Revolving Credit Loans.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date provided that after giving effect to such Loan (a) the aggregate amount of Revolving Credit Loans from such Lender shall not exceed such Lender's Revolving Credit Commitment minus such Lender's Ratable Share of the Letter of Credit Outstandings and its Ratable Share of the outstanding Swing Loans and (b) the Borrower shall be in compliance with the covenant contained in the first sentence of Section 7.2.10 [Borrowing Base] (provided that the requirements of such Section 7.2.10 shall apply only if the Investment Grade Period is not in effect). Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.

The Borrower promises to repay the aggregate outstanding principal amount of the Revolving Credit Loans in full on the Expiration Date and to discharge and fulfill when required all other of the Obligations.

2.1.2. Swing Loan Commitment.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, PNC Bank shall make swing loans (the "Swing Loans") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to but not in excess of the Swing Loan Commitment. The Swing Loan Commitment is a sublimit of the Revolving Credit Commitments and the Revolving Facility Usage shall not exceed the Revolving Credit Commitments of all the Lenders. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.2. Swing Loans shall, at the option of PNC Bank after consultation with the Borrower, be repaid by the proceeds of a Revolving Credit Loan deemed to have been made for such purpose pursuant to Section 2.8 [Borrowings to Repay Swing Loans] and shall be subject to the provisions of Section 4.8 [Settlement Date Procedures].

### 2.1.3 Voluntary Reduction of Commitment

The Borrower shall have the right at any time after the Closing Date (i) upon five (5) days' prior written notice to the Agent to permanently reduce (ratably among the

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Lenders in proportion to their Ratable Shares) the Revolving Credit Commitments, in a minimum amount of \$500,000 and whole multiples of \$100,000 (provided that in no event shall the aggregate Revolving Credit Commitments be reduced to an amount less than \$550,000,000) or (ii) at any time upon prepayment in full of the Obligations, terminate completely the Commitments, without penalty or premium except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by prepayment of the Notes, together with outstanding Commitment Fees, and the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 4.6.2 [Indemnity] hereof), to the extent that the aggregate amount thereof then outstanding exceeds the Commitments as so reduced or terminated. Any notice to reduce the Revolving Credit Commitments under this Section 2.1. shall be irrevocable.

### 2.2 Nature of Lenders' Obligations with Respect to Revolving Credit Loans.

Each Lender shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.4 [Revolving Credit Loan Requests; Swing Loan Requests] in accordance with its Ratable Share. The aggregate of each Lender's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the Letter of Credit Outstandings minus its Ratable Share of Swing Loans outstanding. The obligations of each Lender hereunder are several. The failure of any Lender to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Lender to perform its obligations hereunder. The Lenders shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

### 2.3 Commitment Fees.

Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Agent for the account of each Lender, as consideration for such Lender's Revolving Credit Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") equal to the Applicable Commitment Fee Rate (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) on the average daily difference between the amount of (i) such Lender's Revolving Credit Commitment as the same may be constituted from time to time and the (ii) the sum of such Lender's Revolving Credit Loans outstanding (plus, in the case of PNC Bank, its Swing Loans outstanding) plus its Ratable Share of Letter of Credit Outstandings. All Commitment Fees shall be payable quarterly in arrears on the fifteenth (15) day of each calendar quarter (for the calendar quarter most recently ended) after the date hereof and on the Expiration Date or upon acceleration of the Obligations.

### 2.4 Revolving Credit Loan Requests; Swing Loan Requests.

#### 2.4.1. Revolving Credit Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request that the Lenders make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans or pursuant to Section 3.2 [Interest Periods], by delivering to the Agent, not later than

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11:00 a.m., Eastern time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the LIBO-Rate Option applies or the conversion to or the renewal of the LIBO-Rate Option for any Loans; and (ii) on the day of either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of Exhibit 2.4.1 or a request by telephone promptly confirmed in writing by letter or facsimile in such form (each, a "Loan Request"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$500,000 and not less than \$2,500,000 for each Borrowing Tranche to which the LIBO-Rate Option applies and which shall be in integral multiples of \$100,000 and not less than \$500,000 for Borrowing Tranches to which the Base Rate Option applies; (iii) whether the LIBO-Rate Option or Base Rate Option shall apply to the proposed Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the LIBO-Rate Option applies, an appropriate Interest Period for the Loans comprising such Borrowing Tranche.

#### 2.4.2. Swing Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request that PNC Bank make Swing Loans by delivery to PNC Bank not later than 2:00 p.m. Eastern time on the proposed Borrowing Date of a duly completed request therefor substantially in the form of Exhibit 2.4.2 hereto or a request by telephone promptly confirmed in writing by letter or facsimile (each, a "Swing Loan Request"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Swing Loan Request shall be irrevocable and shall specify the proposed Borrowing Date and the principal amount of such Swing Loan, which shall be not less than \$100,000.

### 2.5 Making Revolving Credit Loans and Swing Loans.

#### 2.5.1. Generally.

The Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.4.1 [Revolving Credit Loan Requests], but not later than 12:00 noon, Eastern time, notify the Lenders of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date



and the time and method of disbursement of the Revolving Credit Loans requested thereby; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Lenders of such Revolving Credit Loans as determined by the Agent in accordance with Section 2.2 [Nature of Lenders' Obligations with Respect to Revolving Credit Loans]. Each Lender shall remit the principal amount of each Revolving Credit Loan to the Agent such that the Agent is able to, and the Agent shall, to the extent the Lenders have made funds available to it for such purpose and subject to Section 6.2 [Each Additional Loan or Letter of Credit], fund such Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office

prior to 2:30 p.m., Eastern time, on the applicable Borrowing Date, provided that if any Lender fails to remit such funds to the Agent in a timely manner, the Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Lender on such Borrowing Date, and such Lender shall be subject to the repayment obligation in Section 9.16 [Availability of Funds].

2.5.2. Making Swing Loans.

Subject to the other provisions of this Agreement, PNC Bank shall, after receipt by it of a Swing Loan Request pursuant to Section 2.4.2 [Swing Loan Requests], fund such Swing Loan to the Borrower in Dollars and immediately available funds at the Principal Office as soon as reasonably practicable after receipt by PNC Bank of said Swing Loan Request but in any event by the close of business on the same Business Day.

2.6 Swing Loan Note.

The obligation of the Borrower to repay the unpaid principal amount of the Swing Loans made to it by PNC Bank together with interest thereon shall, if requested by PNC Bank, be evidenced by the Swing Loan Note dated the Closing Date payable to the order of PNC Bank in a face amount equal to the Swing Loan Commitment.

2.7 Use of Proceeds.

The proceeds of the Revolving Credit Loans shall be used to refinance existing indebtedness and provide for Letters of Credit and provide working capital and funds for general corporate purpose for the Borrower, Hovnanian and the Restricted Subsidiaries, all in accordance with Section 7.1.10 [Use of Proceeds].

2.8 Borrowings to Repay Swing Loans.

PNC Bank may, at its option, and upon consultation with the Borrower, exercisable at any time for any reason whatsoever, demand that each Lender shall make a Revolving Credit Loan in an amount equal to such Lender's Ratable Share of the aggregate principal amount of the outstanding Swing Loans made in accordance with Section 2.5.2 [Making Swing Loans], plus, if PNC Bank so requests, accrued interest thereon, provided that no Lender shall be obligated in any event to make Revolving Credit Loans in excess of its Revolving Credit Commitment minus its Ratable Share of Letters of Credit Outstanding minus its Ratable Share of Swing Loans outstanding. Revolving Credit Loans made pursuant to the preceding sentence shall bear interest at the Base Rate Option and shall be deemed to have been properly requested in accordance with Section 2.4.1 [Revolving Credit Loan Requests] without regard to any of the requirements of that provision. PNC Bank shall provide notice to the Lenders (which may be telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.8 and of the apportionment among the Lenders, and the Lenders shall be unconditionally obligated to fund such Revolving Credit Loans (whether or not the conditions specified in Section 2.4.1 [Revolving Credit Loan Requests] or Section 6.2 [Each Additional Loan or Letter of Credit] are then satisfied) by the

time PNC Bank so requests, which shall not be earlier than three o'clock (3:00) p.m. Eastern time on the Business Day next after the date the Lenders receive such notice from PNC Bank.

2.9 Letter of Credit Subfacility.

2.9.1. Issuance of Letters of Credit.

The Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or another Loan Party by the Agent or any Lender which issues a Letter of Credit hereunder (such Lender, with respect to the issuance of the Letter of Credit so requested by the Borrower, being a "Letter of Credit Lender") by delivering to the Agent and the Letter of Credit Lender a completed application and agreement for letters of credit in such form as the Letter of Credit Lender and the Agent may specify from time to time by no later than 10:00 a.m., Eastern time, at least three (3) Business Days, or such shorter period as may be agreed to by the Letter of Credit Lender, in advance of the proposed date of issuance. Each letter of credit issued by any Lender and described on Schedule 2.9.1 shall be deemed to be a "Letter of Credit" hereunder as of the Closing Date. Subject to the terms and conditions hereof and in reliance on the agreements of the other Lenders set forth in this Section 2.9, the Letter of Credit Lender will issue a Letter of Credit. Each Letter of Credit shall have a maximum stated maturity of no later than one (1) Business Day prior to the Expiration Date. For purposes of this subsection, "stated maturity" is the expiration date of the Letter of Credit without giving effect to any future extension thereof under an automatic renewal provision, provided that such automatic renewal provision permits the Letter of Credit Lender to elect not to extend by giving written notice of cancellation to the beneficiary. In no event shall Letter of Credit Outstandings exceed, at any one time, \$500,000,000.

2.9.2. Letter of Credit Fees.

The Borrower shall pay (i) to the Agent for the ratable account of the Lenders a fee (the "Letter of Credit Fee") equal to the Applicable Letter of Credit Fee Rate (computed on the daily average Letter of Credit Outstandings) and (ii) to the Agent on behalf of each respective Letter of Credit Lender for its own account a fronting fee for Letters of Credit issued by such Letter of Credit Lender equal to .125% per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) and shall be payable quarterly in arrears commencing with the fifteenth (15) day of each calendar quarter following issuance of each Letter of Credit and on the Expiration Date. The Borrower shall also pay to the Letter of Credit

Lender for the Letter of Credit Lender's sole account the Letter of Credit Lender's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Letter of Credit Lender may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

2.9.3. Disbursements, Reimbursement.

2.9.3.1 Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to,

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purchase from the Letter of Credit Lender a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Lender's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.9.3.2 In the event of any request for a drawing on or before 11:00 a.m. under a Letter of Credit by the beneficiary or transferee thereof, the Letter of Credit Lender shall promptly notify the Agent upon such request. Provided that it shall have received such notice, the Agent will promptly notify the Borrower and each Lender thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Lenders in an amount equal to the amount so paid by the Letter of Credit Lender under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the Revolving Credit Commitment and not subject to the conditions set forth in Section 6.2 [Each Additional Loan or Letter of Credit]. Any notice given by the Letter of Credit Lender or the Agent pursuant to this Section 2.9.3.2 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.9.3.3 Each Lender shall upon any notice pursuant to Section 2.9.3.2 [Disbursements, Reimbursement] make available to the Agent on behalf of the Letter of Credit Lender an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Lenders shall (subject to Section 2.9.3.4 [Disbursements, Reimbursement]) each be deemed to have made a Revolving Credit Loan under the Base Rate Option to the Borrower in that amount. If any Lender so notified fails to make available to the Agent for the account of the Agent on behalf of the Letter of Credit Lender the amount of such Lender's Ratable Share of such amount by no later than two o'clock (2:00) p.m., Eastern time on the Drawing Date, then interest shall accrue on such Lender's obligation to make such payment from the Drawing Date to the date on which such Lender makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Base Rate Option on and after the fourth day following the Drawing Date. The Agent will promptly give notice of the occurrence of the Drawing Date, but failure of the Agent to give any such notice on the Drawing Date or in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligation under this Section 2.9.3.3.

2.9.3.4 With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans under the Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.9.3.2 [Disbursements, Reimbursement], the Borrower shall be deemed to have incurred from the Agent a borrowing (each a "Letter of Credit Borrowing") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Revolving Credit Loans under the Base Rate Option. Each Lender's payment to the Agent pursuant to Section 2.9.3.3 [Disbursements, Reimbursement] shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Lender in satisfaction of its participation obligation under Section 2.9.3 [Disbursements, Reimbursement].

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2.9.4. Repayment of Participation Advances.

2.9.4.1 Upon (and only upon) receipt by the Agent on behalf of the Letter of Credit Lender of immediately available funds from the Borrower (i) in reimbursement of any payment made by the on behalf of the Letter of Credit Lender under the Letter of Credit with respect to which any Lender has made a Participation Advance to the Agent on behalf of the Letter of Credit Lender or (ii) in payment of interest on such a payment made by the Agent under such a Letter of Credit, the Agent will pay to each Lender, in the same funds as those received by the Agent, the amount of such Lender's Ratable Share of such funds, except the Agent shall retain the amount of the Ratable Share of such funds of any Lender that did not make a Participation Advance in respect of such payment by Agent. If the Letter of Credit Lender receives any such payment prior to 1:00 p.m. on a Business Day and does not make payment to any such Lender which has made such a Participation Advance on the same Business Day, then such Lender shall be entitled to receive such Letter of Credit Lender interest at the Federal Funds Effective Rate for each day until such payment is made to such Lender.

2.9.4.2 If the Agent or the Letter of Credit Lender is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Loan Party pursuant to Section 2.9.4.1 [Repayment of Participation Advances] in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Lender shall, on demand of the Agent on behalf of the Letter of Credit Lender, forthwith return to the Agent the amount of its Ratable Share of any amounts so returned by the Agent or such Letter of Credit Lender plus interest thereon from the date such demand is made to the date such amounts are returned by such Lender to the Agent, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

2.9.5. Documentation.

Each Loan Party agrees to be bound by the terms of the Letter of Credit Lender's application and agreement for letters of credit and the Letter of Credit Lender's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Letter of Credit Lender shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.9.6. Determinations to Honor Drawing Requests.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Letter of Credit Lender shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.9.7. Nature of Participation and Reimbursement Obligations.

Each Lender's obligation in accordance with this Agreement to make the Revolving Credit Loans or Participation Advances, as contemplated by Section 2.9.3 [Disbursements, Reimbursement], as a result of a drawing under a Letter of Credit, and the obligations of the Borrower to reimburse the Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.9 [Letter of Credit Subfacility] under all circumstances, including the following circumstances:

- (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Agent, any Loan Party or any other Person for any reason whatsoever;
- (ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Section 2.1 [Revolving Credit Commitments], 2.4 [Revolving Credit Loan Requests; Swing Loan Requests], 2.4.2 [Swing Loan Requests] or 6.2 [Each Additional Loan or Letter of Credit], if applicable, or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Lenders to make Participation Advances under Section 2.9.3 [Disbursements, Reimbursement];
- (iii) any lack of validity or enforceability of any Letter of Credit;
- (iv) the existence of any claim, set-off, defense or other right which any Loan Party or any Lender may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Agent, the Letter of Credit Lender or any Lender or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);
- (v) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Letter of Credit Lender has been notified thereof;
- (vi) payment by the Letter of Credit Lender under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;
- (vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

- (viii) any breach of this Agreement or any other Loan Document by any party thereto;
- (ix) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;
- (x) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;
- (xi) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and
- (xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.9.8. Indemnity.

In addition to amounts payable as provided in Section 9.5 [Reimbursement and Indemnification of Agent by the Borrower], the Borrower hereby agrees to protect, indemnify, pay and save harmless the Agent and any Letter of Credit Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Agent or any Letter of Credit Lender may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Agent or any Letter of Credit Lender as determined by a final judgment of a court of competent jurisdiction or (B) the wrongful dishonor by the Letter of Credit Lender of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

2.9.9. Liability for Acts and Omissions.

As between any Loan Party and the Agent or any Letter of Credit Lender, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, neither the Agent nor any Letter of Credit Lender shall be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove

to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Agent or any Letter of Credit Lender shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of

such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Agent or Letter of Credit Lender, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Agent's or any Letter of Credit Lender's rights or powers hereunder. Nothing in the preceding sentence shall relieve the Agent or any Letter of Credit Lender from liability for the Agent's or any Letter of Credit Lender's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Agent or any Letter of Credit Lender under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Agent or any Letter of Credit Lender under any resulting liability to any Loan Party or any Lender.

2.9.10. Sharing Letter of Credit Documentation.

Each Letter of Credit Lender shall furnish to the Agent copies of any letter of credit application and related documentation to which such Letter of Credit Lender and a Loan Party are parties and promptly after issuance, a copy of any Letter of Credit or amendment to any Letter of Credit issued by such Lender.

2.10 Extension by Lenders of the Expiration Date.

2.10.1. Requests; Approval by All Lenders.

After delivery by the Borrower of the annual financial statements to be provided under Section 7.3.2 [Annual Financial Statements] for the fiscal year ending October 31, 2005 or any subsequent fiscal year, the Borrower may request either a one-year or two-year extension (provided that any such extension may not cause the remaining term of this Agreement to exceed 4 years) of the Expiration Date, by written notice to the Lenders made by May 30 of the year in which such financial statements are due, and the Lenders agree to respond to the Borrower's request for an extension no later than thirty (30) days following receipt of the request; provided, however, that the failure of any Lender to respond within such time period shall not in any manner constitute an agreement by such Lender to extend the Expiration Date. If all Lenders elect to extend, the Expiration Date shall be extended for a period of one year or two years, as requested by the Borrower. If one or more Lenders decline to extend or do not respond to Borrower's request, the provisions of Section 2.10.2 [Approval by 80% Lenders] shall apply.

2.10.2. Approval by 80% Lenders.

In the event that one or more Lenders do not agree to extend the Expiration Date or do not respond to Borrower's request for an extension within the time required under Section 2.10.1 [Requests; Approval by All Lenders] (each a "Non-approving Lender"), but 80% of the Lenders (measured by their Ratable Shares and not per capita) agree to such extension within such time (each such agreeing Lender being an "Extending Lender"), then the Borrower may, at the Borrower's option, on or before July 31 of the year in which the Borrower made its request for an extension, notify the Agent and the Lenders that the Borrower intends to employ one or more of the following three (3) options: (i) cause the Commitment of each Non-approving Lender to be terminated (after which time such Non-approving Lender shall cease to be a "Lender" hereunder) and cause the aggregate Commitments to be reduced by the amount of such terminated Commitments, or (ii) require the Non-approving Lenders to sell, and allow (upon prior notice to the Agent) the Extending Lenders which have agreed to such extension within the time required under Section 2.10.1 [Requests; Approval by All Lenders] or any financial institution approved by the Agent and (absent an Event of Default) the Borrower (each such Person referred to in this clause (ii) being an "Assignee Lender") to purchase all of the outstanding Loans if any, of the Non-approving Lenders and succeed to and assume the Commitments and all other rights, interests and obligations of the Non-approving Lenders under this Agreement and the other Loan Documents, or (iii) require the Non-approving Lender to remain a Lender and require it to maintain its Commitment and retain for such Non-approving Lender's Commitment the "Expiration Date" established prior to the extension referred to in this Section 2.10.2, all subject to the other provisions of this Agreement. Any such purchase and assumption pursuant to clause (ii) above shall be (1) pursuant to an Assignment and Assumption Agreement and (2) subject to and in accordance with Section 10.11 [Successors and Assigns]. The Borrower shall pay all amounts due and payable to the Non-approving Lender on the effective date of such Assignment and Assumption Agreement. In the event that the Agent shall become a Non-approving Lender, the provisions of this Section 2.10 [Extension by Lenders of the Expiration Date] shall be subject to Section 9.14 [Successor Agent]. In the event that the Borrower has selected the option described in clause (ii) above and if the Loans and Commitments of a Non-approving Lender are, nevertheless, not fully assigned and assumed pursuant to this Section 2.10.2, or terminated or retained pursuant to clause (i) or clause (iii) above, as applicable, on or before August 31 of the year in which the Borrower made its request for an extension, then the Expiration Date shall not be extended for any Lender. Nothing in this Section 2.10.2 shall expand the options provided in Section 4.4.2 [Replacement of a Lender].

2.11 Designation of Subsidiaries and Release of Guarantors.

2.11.1. Release of Guarantors.

At any time when the Borrower wishes to cause the Lenders to release a Guarantor from its obligations under the Guaranty Agreement (whether directly or in connection with the designation of a Restricted Subsidiary as a Non-Restricted Person), the consent of the Lenders shall be required as described below and shall be subject to the other provisions of this Section 2.11.

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(a) For the release of (i) any Guarantor whose assets are principally comprised of residential or commercial property which is leased or held for the purposes of leasing to unaffiliated third parties or (ii) any Guarantor in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment less than \$1,000,000, (iii) Corporate Office Subsidiary incident to it becoming a Non-Restricted Person, or (iv) any Guarantor at the time that such Guarantor enters into a newly-formed Joint Venture with a person which is not an Affiliate of the Loan Parties and transfers all or a substantial portion of its assets to such Joint Venture provided that such Guarantor is a Non-Restricted Person (or simultaneously with the Borrower's request for such release the Borrower has designated such Guarantor as a "Non-Restricted Person" in compliance with Section 2.11.2), no consent of the Lenders shall be required and such request of the Borrower shall be granted absent an Event of Default or Potential Default, effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such request;

(b) For the release of any Guarantor (not described in item (a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$1,000,000 and less than \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of Required Lenders shall be required;

(c) For the release of Hovnanian or any Guarantor (not described in item (a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of 100% of the Lenders shall be required; and

(d) The designation of a Person as a Non-Restricted Person for any reason shall not itself constitute a release of any Guarantor and any such release of such Person from its Guaranty shall be in accordance with this Section 2.11.

#### 2.11.2. Designation of Non-Restricted Person.

The Borrower may, by written notice delivered to the Agent, designate as a Non-Restricted Person a Subsidiary formerly designated a Restricted Subsidiary or a newly formed or acquired Subsidiary, subject to: (i) the provisions of subsection 2.11.1 hereof in relation to Guaranties, (ii) the requirements of Section 7 [Covenants] and in particular Section 7.2.10 [Borrowing Base] (provided that the requirements of such Section 7.2.10 shall apply only if the Investment Grade Period is not in effect); and (iii) the requirement that such designation not cause an Event of Default or Potential Default. Such designation shall be effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such notice.

#### 2.11.3. Automatic Designation of Non-Restricted Person.

Upon the occurrence of any event described in Section 8.1.10 [Insolvency], Section 8.1.14 [Involuntary Proceedings], Section 8.1.15 [Voluntary Proceedings], or the winding-up or termination of business, with respect to any Restricted Subsidiary, such

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Subsidiary shall automatically become a Non-Restricted Person. Such designation as a Non-Restricted Person shall, with respect such Person's obligations under the Guaranty Agreement, if any, be subject to the requirements of Section 2.11.1 [Release of Guarantors] and such Subsidiary shall continue to be a Guarantor until such time as it is released from the Guaranty Agreement pursuant to such Section. The release of any Subsidiary which is a Guarantor from its obligations under the Guaranty Agreement pursuant to Section 2.11.1 [Release of Guarantors] shall automatically cause such Subsidiary to be a Non-Restricted Person.

#### 2.11.4. Designation of Restricted Subsidiary.

The Borrower may by written notice delivered to the Agent designate as a Restricted Subsidiary a Subsidiary formerly designated a Non-Restricted Person or a newly formed or acquired Subsidiary. Such designation is subject to (i) compliance with Section 10.18 [Joinder of Guarantors]; (ii) the requirements of Section 7 [Covenants] and in particular Section 7.2.10 [Borrowing Base] (provided that the requirements of such Section 7.2.10 shall apply only if the Investment Grade Period is not in effect); and (iii) the requirement that such designation not cause an Event of Default or Potential Default. Such designation shall be effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such notice.

### 2.12 Increase in Commitments.

#### 2.12.1 Increasing Lenders and New Lenders.

The Borrower may, at any time prior to the second anniversary of the Closing Date, request that (1) the current Lenders (the "Existing Lenders") increase their Revolving Credit Commitments (any Existing Lender which elects to increase its Revolving Credit Commitment shall be referred to as an "Increasing Lender") or (2) one or more new banks (each a "New Lender") join this Agreement and provide a Revolving Credit Commitment hereunder, subject to the following terms and conditions:

(i) No Obligation to Increase. No Existing Lender shall be obligated to increase its Revolving Credit Commitment and any increase in the Revolving Credit Commitment by any Existing Lender shall be in the sole discretion of such Existing Lender.

(ii) Defaults. There shall exist no Events of Default or Potential Default on the effective date of such increase (the "Revolving Credit Commitment Increase Date") after giving effect to such increase.

(iii) Aggregate Revolving Credit Commitments. After giving effect to such increase, the total Revolving Credit Commitments shall not exceed \$1,300,000,000.

(iv) Minimum Revolving Credit Commitments. After giving effect to such increase, the amount of the Revolving Credit Commitments provided by each of the New Lenders and each of the Increasing Lenders shall be at least \$20,000,000; and

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(v) Resolutions; Opinion. The Loan Parties shall deliver to the Agent on or before the Revolving Credit Commitment Increase Date the following documents in a form reasonably acceptable to the Agent: (1) certifications of their corporate secretaries with attached resolutions certifying that the increase in the Revolving Credit Commitment has been approved by such Loan Parties, and (2) an opinion of counsel addressed to the Agent and the Lenders addressing the authorization and execution of the Loan Documents by, and enforceability of the Loan Documents against, the Loan Parties.

(vi) Notes. The Borrower shall execute and deliver (1) to each Increasing Lender a replacement Note (except if such Increasing Lender requests that it not receive a Note) reflecting the new amount of such Increasing Lender's Revolving Credit Commitment after giving effect to the increase (and the prior Note issued to such Increasing Lender shall be deemed to be terminated) and (2) to each New Lender a Note (except if such New Lender requests that it not receive a Note) reflecting the amount of such New Lenders' Revolving Credit Commitment.

(vii) Approval. The Agent shall have approved of such increase (such approval not to be unreasonably withheld) and the Increasing Lender or New Lender, as the case may be, that is providing such increase.

(viii) Increasing Lenders. If any portion of the increase in Revolving Credit Commitments is being provided by one or more Increasing Lenders, then such Increasing Lenders shall confirm their agreement to increase their Revolving Credit Commitment pursuant to a Revolving Credit Commitment Increase Agreement in substantially the form of Exhibit 2.12.1-1 attached hereto signed by them and the Loan Parties and delivered to the Agent at least five (5) Business Days before the Revolving Credit Commitment Increase Date.

(ix) New Lenders—Joinder. If the Borrower desires that one or more New Lenders provide all or a portion of such increase in Revolving Credit Commitments, then each New Lender, the Loan Parties and the Agent shall execute a Lender Joinder and Assumption Agreement in substantially the form of Exhibit 2.12.1-2 hereto, pursuant to which the New Lender shall join and become a party to this Agreement and the other Credit Documents effective on the Revolving Credit Commitment Increase Date with a Revolving Credit Commitment in the amount set forth in Schedule I to such Lender Joinder and Assumption Agreement.

## 2.12.2 Treatment of Outstanding Loans and Letters of Credit

### 2.12.2.1 Repayment of Outstanding Loans; Borrowing of New Loans

On the Revolving Credit Commitment Increase Date, the Borrower shall repay all Loans outstanding on the Revolving Credit Commitment Increase Date, subject to the Borrower's indemnity obligations under Section 4.6.2 [Indemnity] provided that it may borrow new Loans with a Borrowing Date on the Revolving Credit Commitment Increase Date. Each of the Lenders shall participate in any new Loans made on or after the Revolving

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Credit Commitment Increase Date in accordance with their respective Ratable Shares after giving effect to the increase in Revolving Credit Commitments contemplated by this Section 2.12.

### 2.12.2.2 Outstanding Letters of Credit

On the Commitment Increase Date, each Increasing Lender and each New Lender (a) will be deemed to have purchased a participation in each then outstanding Letter of Credit equal to its Ratable Share of each such Letter of Credit and the participation of each other Lender in each such Letter of Credit shall be adjusted accordingly and (b) will acquire, (and will pay to the Agent, for the account of each Lender, in immediately available funds, an amount equal to) its Ratable Share of all outstanding Participation Advances.

## 3. INTEREST RATES

### 3.1 Interest Rate Options

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by it from the Base Rate Option or LIBO-Rate Option set forth below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche, provided that there shall not be at any one time outstanding more than ten (10) Borrowing Tranches in the aggregate among all of the Loans, and provided further that only the Base Rate Option shall apply to the Swing Loans. If at any time the designated rate applicable to any Loan made by any Lender exceeds such Lender's highest lawful rate, the rate of interest on such Lender's Loan shall be limited to such Lender's highest lawful rate.

#### 3.1.1. Revolving Credit Interest Rate Options

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans (subject to the provisions above regarding Swing Loans):

(i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Revolving Credit LIBO-Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the LIBO-Rate plus the Applicable Margin.

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### 3.1.2. Rate Quotations.

The Borrower may call the Agent on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Agent or the Lenders nor affect the rate of interest which thereafter is actually in effect when the election is made.

### 3.2 Interest Periods.

At any time when the Borrower shall select, convert to or renew a LIBO-Rate Option, the Borrower shall notify the Agent thereof at least three (3) Business Days prior to the effective date of such LIBO-Rate Option by delivering a Loan Request. The notice shall specify an Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, in the case of the renewal of a LIBO-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

### 3.3 Interest After Default.

#### 3.3.1. Default Rate.

To the extent permitted by Law, upon the occurrence of an Event of Default under Section 8.1.1 [Payment Under Loan Documents], Section 8.1.10 [Insolvency], Section 8.1.14 [Involuntary Proceedings], Section 8.1.15 [Voluntary Proceedings] or the Obligations are accelerated under this Agreement and until such time such Event of Default shall have been cured or waived, all past due principal and all past due accrued interest thereon and fees and expenses and each other past due Obligation payable hereunder shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional 3.0% per annum from the time such Obligation becomes due and payable and until it is paid in full (the "Default Rate").

#### 3.3.2. Acknowledgment.

The Borrower acknowledges that the increase in rate referred to in Section 3.3.1 [Default Rate] reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Lenders are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Agent.

### 3.4 LIBO-Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available.

#### 3.4.1. Unascertainable.

If on any date on which a LIBO-Rate would otherwise be determined, the Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such LIBO-Rate, or

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(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the LIBO-Rate, the Agent shall have the rights specified in Section 3.4.3 [Agent's and Lender's Rights].

#### 3.4.2. Illegality; Increased Costs; Deposits Not Available.

If at any time any Lender shall have determined that:

(i) the making, maintenance or funding of any Loan to which a LIBO-Rate Option applies has been made impracticable or unlawful by compliance by such Lender in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such LIBO-Rate Option will not adequately and fairly reflect the cost to such Lender of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a LIBO-Rate Option applies, respectively, are not available to such Lender with respect to such Loan, or to banks generally, in the interbank eurodollar market,

then the Agent and such Lender shall have the rights specified in Section 3.4.3 [Agent's and Lender's Rights].

#### 3.4.3. Agent's and Lender's Rights.

In the case of any event specified in Section 3.4.1 [Unascertainable] above, the Agent shall promptly so notify the Lenders and the Borrower thereof, and in the case of an event specified in Section 3.4.2 [Illegality; Increased Costs; Deposits Not Available] above, such Lender shall promptly so notify the Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Agent shall promptly send copies of such notice and certificate to the other Lenders and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Lenders, in the case of such notice given by the Agent, or (B) such Lender, in the case of such notice given by such Lender, to allow the Borrower to select, convert to or renew a LIBO-Rate Option shall be suspended until the Agent shall have later notified the Borrower, or such Lender shall have later notified the Agent, of the Agent's or such Lender's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Agent makes a determination under Section 3.4.1 [Unascertainable] and the Borrower has previously notified the Agent of its selection of, conversion to or renewal of a LIBO-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If any Lender notifies the Agent of a determination under Section 3.4.2 [Illegality; Increased Costs; Deposits Not Available], the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.6.2 [Indemnity], as to any Loan of the Lender to which a LIBO-Rate

Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 4.4 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

### 3.5 Selection of Interest Rate Options.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Loans under the LIBO-Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 3.2 [Interest Periods], the Borrower shall be deemed to have converted such Borrowing Tranche to the Base Rate Option, commencing upon the last day of the existing Interest Period.

## 4. PAYMENTS

### 4.1 Payments.

All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letter of Credit Fees, Agent's Fees or other fees or amounts due from the Borrower hereunder shall be payable prior to eleven o'clock (11:00) a.m., Eastern time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Agent at the Principal Office for the account of PNC Bank with respect to the Swing Loans and for the ratable accounts of the Lenders with respect to the Revolving Credit Loans in Dollars and in immediately available funds, and the Agent shall promptly distribute such amounts to the Lenders in immediately available funds, provided that in the event payments are received by eleven o'clock (11:00) a.m., Eastern time, by the Agent with respect to the Loans and such payments are not distributed to the Lenders on the same day received by the Agent, the Agent shall pay the Lenders the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Agent and not distributed to the Lenders. The Agent's and each Lender's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

### 4.2 Pro Rata Treatment of Lenders.

Each borrowing shall be allocated to each Lender according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrower with respect to principal, interest, Commitment Fees, Letter of Credit Fees, or other fees (except for the Agent's Fees) or amounts due from the Borrower hereunder to the Lenders with respect to the Loans, shall (except as provided in Section 3.4.3 [Agent's and Lender's Rights] in the case of an event specified in Sections 3.4 [LIBO-Rate Unascertainable; Illegality, Increased Costs, Deposits Not Available], 4.4.2 [Replacement of a Lender] or 4.6 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Loans outstanding from each Lender and, if no such Loans are then outstanding,

in proportion to the Ratable Share of each Lender. Notwithstanding any of the foregoing, each borrowing or payment or prepayment by the Borrower of principal, interest, fees or other amounts from the Borrower with respect to Swing Loans shall be made by or to PNC Bank according to Section 2 [Revolving Credit and Swing Loan Facilities].

### 4.3 Interest Payment Dates.

Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on the first Business Day of each calendar month after the date hereof and on the Expiration Date or upon acceleration of the Loan. Interest on Loans to which the LIBO-Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day of such Interest Period. Interest on mandatory prepayments of principal under Section 4.5 [Mandatory Payments] shall be due on the date such mandatory prepayment is due. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

### 4.4 Voluntary Prepayments.

#### 4.4.1. Right to Prepay.

The Borrower shall have the right at its option at any time and from time to time to prepay the Loans in whole or part without premium or penalty (except as provided in Section 4.4.2 [Replacement of a Lender] below or in Section 4.6 [Additional Compensation in Certain



Circumstances]).

Whenever the Borrower desires to prepay any part of the Loans, it shall provide a prepayment notice to the Agent no later than (A) 11:00 a.m., Eastern time, at least two (2) Business Days prior to the date of prepayment of the Revolving Credit Loans to which the LIBO-Rate Option applies, (B) 11:00 a.m., Eastern time, on the date of prepayment of Revolving Credit Loans to which the Base Rate Option applies or (C) 2:00 p.m., Eastern time, on the date of prepayment of Swing Loans, setting forth the following information:

- (x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;
- (y) a statement indicating the application of the prepayment between the Swing Loans and the Revolving Credit Loans; and
- (z) the total principal amount of such prepayment, which shall not be less than (i) \$100,000 and in increments of \$100,000 for any Swing Loans, (ii) \$500,000 and in increments of \$100,000 for any Revolving Credit Loan to which the Base Rate Option applies or (iii) \$2,500,000 and in increments of \$500,000 for any Revolving Credit Loan to which the LIBO-Rate Option applies.

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All prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. Except as provided in Section 3.4.3 [Agent's and Lender's Rights], if the Borrower prepays a Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Swing Loans, then to Loans to which the Base Rate Option applies, and then to Loans to which the LIBO-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Lenders under Section 4.6.2 [Indemnity].

#### 4.4.2. Replacement of a Lender.

In the event any Lender (i) gives notice under Section 3.4 [LIBO-Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available] or Section 4.6.1 [Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.], (ii) does not fund Revolving Credit Loans because the making of such Loans would contravene any Law applicable to such Lender, or (iii) becomes subject to the control of an Official Body (other than normal and customary supervision), then the Borrower shall have the right at its option, with the consent of the Agent, which shall not be unreasonably withheld, to prepay the Loans of such Lender in whole, together with all interest accrued thereon and all other Obligations owing to such Lender, and terminate such Lender's Commitment within ninety (90) days after (x) receipt of such Lender's notice under Section 3.4 [LIBO-Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available] or 4.6.1 [Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.], (y) the date such Lender has failed to fund Revolving Credit Loans because the making of such Loans would contravene Law applicable to such Lender, or (z) the date such Lender became subject to the control of an Official Body, as applicable; provided that the Borrower shall also pay to such Lender at the time of such prepayment any amounts required under Section 4.6 [Additional Compensation in Certain Circumstances] and any accrued interest due on such amount and any related fees; provided, further, the remaining Lenders shall have no obligation hereunder to increase their Commitments. Notwithstanding the foregoing, the Agent may only be replaced subject to the requirements of Section 9.14 [Successor Agent].

#### 4.4.3. Change of Lending Office.

Each Lender agrees that upon the occurrence of any event giving rise to increased costs or other special payments under Section 3.4.2 [Illegality; Increased Costs; Deposits Not Available] or 4.6.1 [Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.] with respect to such Lender, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 4.4.3 [Change of Lending Office] shall affect or postpone any of the

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Obligations of the Borrower or any other Loan Party or the rights of the Agent or any Lender provided in this Agreement.

#### 4.5 Mandatory Payments.

The Borrower shall make mandatory payments of principal (together with accrued interest thereon) to the Agent to the extent by which Revolving Facility Usage exceeds at any time the Commitments (as they may be reduced pursuant to Section 2.1. [Voluntary Reduction of Commitment], Section 2.10.2 [Approval by 80% Lenders] or otherwise) within three (3) Business Days after such excess is calculated.

#### 4.6 Additional Compensation in Certain Circumstances.

##### 4.6.1. Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

- (i) subjects any Lender to any tax or changes the basis of taxation (including in both cases withholding taxes) with respect to this Agreement, the Notes, the Loans or payments by the Borrower of principal, interest, Commitment Fees, or other amounts due from the Borrower hereunder (except for taxes on the overall net income of such Lender, franchise taxes, any branch profits taxes, any U.S. withholding taxes

imposed on a foreign Lender at the time such Lender becomes a party to this Agreement, and any taxes attributable to a failure of such Lender to comply with the requirements of Section 10.17.1 of this Agreement),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Lender, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Lender, or (B) otherwise applicable to the obligations of any Lender under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense upon any Lender with respect to this Agreement, or the making, maintenance or funding of any part of the Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Lender's capital, taking into consideration such Lender's customary policies with respect to capital adequacy) by an amount which such Lender in its sole discretion deems to be material, such Lender shall from time to time notify the Borrower and the Agent of the amount determined in good faith (using

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any averaging and attribution methods employed in good faith) by such Lender to be necessary to compensate such Lender for such increase in cost, reduction of income, additional expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination, provided however, that any such determination shall be conclusive and binding absent manifest error. Such amount shall be due and payable by the Borrower to such Lender ten (10) Business Days after such notice is given.

If any Lender receives a refund in respect of any amounts paid by the Borrower pursuant to this Section 4.6.1, which refund in the good faith judgment of such Lender is allocable to such payment, it shall notify the Borrower of such refund and repay such refund to the Borrower net of all out-of-pocket expenses of such Lender; provided, however, that the Borrower, upon the request of such Lender, agrees to repay the amount paid over to the Borrower to such Lender in the event such Lender is required to repay such refund.

#### 4.6.2. Indemnity.

In addition to the compensation required by Section 4.6.1 [Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.], the Borrower shall indemnify each Lender against all liabilities, losses or expenses (including actual loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by a Lender to fund or maintain Loans subject to a LIBO-Rate Option) which such Lender sustains or incurs as a consequence of any:

(i) payment, prepayment, conversion or renewal of any Loan to which a LIBO-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.4 [Revolving Credit Loan Requests; Swing Loan Requests] or Section 3.2 [Interest Periods] or notice relating to prepayments under Section 4.4 [Voluntary Prepayments], or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee, Letter of Credit Fees, or any other amount due hereunder.

If any Lender sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Lender (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Lender shall deem reasonable) to be necessary to indemnify such Lender for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Lender ten (10) Business Days after such notice is given.

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#### 4.7 Notes.

The Revolving Credit Loans made by each Lender shall (unless a Lender requests that the Borrower not issue a Note to such Lender) be evidenced by a Revolving Credit Note.

#### 4.8 Settlement Date Procedures.

The Borrower may borrow, repay and reborrow Swing Loans and PNC Bank may make Swing Loans as provided in Section 2.1.2 [Swing Loan Commitment] hereof. On any Business Day, the Agent may notify each Lender of its Ratable Share of the total of the Revolving Credit Loans and the Swing Loans (each a "Required Share"). Prior to 2:30 p.m., Eastern time, on the date following the date of such notice, each Lender shall pay to the Agent the amount equal to the difference between its Required Share and its Revolving Credit Loans, and the Agent shall pay to each Lender its Ratable Share of all payments made by the Borrower to the Agent with respect to the Revolving Credit Loans. The Agent shall also effect settlement in accordance with the foregoing sentence on the proposed Borrowing Dates for Revolving Credit Loans and on any date when payments of principal of any Loan is required to be paid by any Loan Party hereunder and may at its option, and in consultation with the Borrower, effect settlement on any other Business Day. These settlement procedures are established solely as a matter of administrative convenience, and nothing contained in this Section 4.8 shall relieve the Lenders of their

obligations to fund Revolving Credit Loans on dates other than a Settlement Date pursuant to Section 2.8 [Borrowings to Repay Swing Loans]. The Agent may at any time at its option for any reason whatsoever require each Lender to pay immediately to the Agent such Lender's Ratable Share of the outstanding Revolving Credit Loans and each Lender may at any time require the Agent to pay immediately to such Lender its Ratable Share of all payments made by the Borrower to the Agent with respect to the Revolving Credit Loans.

## 5. REPRESENTATIONS AND WARRANTIES

### 5.1 Representations and Warranties.

The Borrower and Hovnanian, jointly and severally, represent and warrant to the Agent and to each of the Lenders as follows:

#### 5.1.1. Organization and Qualification.

Each of the Borrower and Hovnanian is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and each other Loan Party is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization except to the extent the failure to do so could not, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change. Each Loan Party has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Loan Party is duly licensed or qualified and in good standing in each jurisdiction where the failure to obtain them could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change.

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#### 5.1.2. Subsidiaries.

As of the Closing Date, Schedule 5.1.2 states the name of each of Hovnanian's Subsidiaries and its jurisdiction of incorporation. Hovnanian and each Loan Party has good and marketable title to all of the Subsidiary Shares, Partnership Interests and LLC Interests it purports to own, free and clear in each case of any Lien. All Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all Subsidiary Shares are fully paid and nonassessable. All capital contributions and other consideration required to be made or paid in connection with the issuance of the Partnership Interests and LLC Interests have been made or paid, as the case may be. Schedule 5.1.2 also sets forth, as to each of Hovnanian's Subsidiaries, the percentage ownership of each owner of: the issued and outstanding shares (referred to herein as the "Subsidiary Shares") if such Subsidiary is a corporation, its outstanding partnership interests (the "Partnership Interests") if such Subsidiary is a partnership and its outstanding limited liability company interests (the "LLC Interests") if such Subsidiary is a limited liability company. Schedule 5.1.2 also footnotes the controlling interests of each Subsidiary if such controlling interest is held by a Person other than Hovnanian or a Subsidiary of Hovnanian.

#### 5.1.3. Power and Authority.

Each Loan Party has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

#### 5.1.4. Validity and Binding Effect.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of any of such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

#### 5.1.5. No Conflict.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other

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organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Loan Party is a party or by which it is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of any Loan Party (other than Liens granted under the Loan Documents) which could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change.

#### 5.1.6. Litigation.

There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party at law or equity before any Official Body which individually or in the aggregate may result in any Material Adverse Change. None of the Loan Parties is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

#### 5.1.7. Title to Properties.

Each Loan Party has good and marketable title to or a valid leasehold interest in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances, except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

#### 5.1.8. Financial Statements.

(i) Historical Statements. The Borrower has delivered to the Agent copies of Hovnanian's audited consolidated year-end financial statements for and as of the end of the fiscal year ended October 31, 2004 (the "Annual Statements") and unaudited consolidated quarter-end financial statements for and as of the end of the fiscal quarter ended January 31, 2005. (The Annual Statements are also sometimes referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by Hovnanian's management, are correct and complete in all material respects and fairly represent in all material respects the consolidated financial condition of Hovnanian and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied. The Historical Statements accurately reflect the liabilities in all material respects of Hovnanian and its Subsidiaries.

(ii) Financial Projections. The Borrower has delivered to the Agent and the Lenders financial projections of Hovnanian and its Subsidiaries for the period ending October 31, 2009 derived from various assumptions of Hovnanian's management (the "Financial Projections"). The Financial Projections represent a reasonable range of possible results in light of the history of the business, present and foreseeable conditions and the intentions of Hovnanian's management (it being understood that actual results may vary materially from the Financial Projections).

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(iii) Accuracy of Financial Statements. As of the Closing Date, neither Hovnanian nor any Subsidiary of Hovnanian has any liabilities, contingent or otherwise, or forward or long-term commitments that are required by GAAP to be, but are not, disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of Hovnanian or any Subsidiary of Hovnanian which may cause a Material Adverse Change. Except as disclosed on Schedule 5.1.8, since October 31, 2004, no Material Adverse Change has occurred.

#### 5.1.9. Use of Proceeds; Margin Stock.

##### 5.1.9.1 General.

The Loan Parties intend to use the proceeds of the Loans in accordance with Sections 2.7 [Use of Proceeds] and 7.1.10 [Use of Proceeds].

##### 5.1.9.2 Margin Stock.

None of the Loan Parties engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of such Loan Party are or will be represented by margin stock.

#### 5.1.10. Full Disclosure.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Agent or any Lender in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading in any material respect. There is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, results of operations or business prospects of the Loan Parties taken as a whole which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Agent and the Lenders prior to or at the date hereof in connection with the transactions contemplated hereby.

#### 5.1.11. Taxes.

All federal, state, local and other tax returns required to have been filed with respect to the Loan Parties have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental

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charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are not material or are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. There are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Loan Party for any period.

#### 5.1.12. Consents and Approvals.

No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan

Documents by any Loan Party, except as listed on Schedule 5.1.12, all of which shall have been obtained or made on or prior to the Closing Date except as otherwise indicated on Schedule 5.1.12.

5.1.13. No Event of Default; Compliance with Instruments.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Loan Parties is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

5.1.14. Patents, Trademarks, Copyrights, Licenses, Etc.

Each Loan Party owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Loan Party, without known possible, alleged or actual material conflict with the rights of others.

5.1.15. Insurance.

No notice has been given or claim made and no grounds exist to cancel or avoid any of insurance policies of the type described in Section 7.1.3 [Maintenance of Insurance] or to reduce the coverage provided thereby.

5.1.16. Compliance with Laws.

The Loan Parties are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 5.1.21 [Environmental Matters]) in all jurisdictions in which any Loan Party is presently

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or will be doing business except where the failure to do so would not constitute a Material Adverse Change.

5.1.17. Burdensome Restrictions.

None of the Loan Parties is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could reasonably be expected to constitute a Material Adverse Change.

5.1.18. Investment Companies; Regulated Entities.

None of the Loan Parties is an “investment company” registered or required to be registered under the Investment Company Act of 1940 or under the “control” of an “investment company” as such terms are defined in the Investment Company Act of 1940 and shall not become such an “investment company” or under such “control.” None of the Loan Parties is subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money (other than Regulation X of the Board of Governors of the Federal Reserve System).

5.1.19. Plans and Benefit Arrangements.

(i) Except where the liability that could reasonably be expected to result therefrom would not, individually or in the aggregate, result in a Material Adverse Change, (a) the Loan Parties and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Plans and, as to the Borrower, Benefit Arrangements; (b) there has been no Prohibited Transaction with respect to any such Benefit Arrangement or any Plan which could result in any material liability of the Loan Parties or any other member of the ERISA Group; (c) the Loan Parties and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or any Law pertaining thereto; (d) with respect to each Plan the Loan Parties and each other member of the ERISA Group (i) have fulfilled in all respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, except for premiums in the ordinary course which are not overdue and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of Section 302 of ERISA; and (e) all Plans and Benefit Arrangements have been administered in material compliance with their terms and applicable Law.

(ii) Except where the liability that could reasonably be expected to result therefrom would not, individually or in the aggregate, result in a Material Adverse Change, no event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(iii) Except where the liability that could reasonably be expected to result therefrom would not, individually or in the aggregate, result in a Material

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Adverse Change, neither the Loan Parties nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under Section 4201 of ERISA to any Multiemployer Plan or under Section 4063 or 4064 of ERISA to any Plan;. Neither the Loan Parties nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Plan that such Multiemployer Plan or Plan has been terminated within the meaning of Sections 4041 A or 4064, respectively, of ERISA and, to the best knowledge of the Borrower, no Multiemployer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

(iv) To the best knowledge of Borrower, neither the Borrower nor any other member of the ERISA Group has, within the preceding five years, entered into a transaction to which either Section 4069 or Section 4212(c) of ERISA could apply so as to subject Borrower or other member of the ERISA Group to a liability, except where the liability that could reasonably be expected to result therefrom would not result in a Material Adverse Change.

5.1.20. Employment Matters.

Each of the Loan Parties is in compliance with the Labor Contracts and all applicable Federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where such failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Loan Parties which in any case would constitute a Material Adverse Change.

5.1.21. Environmental Matters.

None of the Loan Parties has received any Environmental Complaint, including but not limited to those from any Official Body or private Person alleging that such Loan Party or any prior owner, operator or occupant of any of the Property is a potentially responsible party under the Comprehensive Environmental Response, Cleanup and Liability Act, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq. or any analogous state or local Law, which could reasonably be expected to constitute a Material Adverse Change and none of the Loan Parties has any reason to believe that such an Environmental Complaint might be received. There are no pending or, to any Loan Party's knowledge, threatened Environmental Complaints relating to any Loan Party or, to any Loan Party's knowledge, any prior owner, operator or occupant of any of the Properties pertaining to, or arising out of, any Contamination or violations of Environmental Laws or Required Environmental Permits which could reasonably be expected to constitute a Material Adverse Change.

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5.1.22. Senior Debt Status.

The Obligations of each Loan Party under this Agreement, the Guaranty Agreement and each of the other Loan Documents to which it is a party do rank and will rank at least pari passu in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens. There is no Lien upon or with respect to any of the properties or income of any Loan Party which secures Indebtedness or other obligations of any Person except for Permitted Liens.

5.1.23 Anti-Terrorism Laws.

None of the Loan Parties nor or any Affiliate of any Loan Party, is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

5.1.23.1 Executive Order No. 13224.

None of the Loan Parties, nor or any Affiliate of any Loan Party, or their respective agents acting or benefiting in any capacity in connection with the Loans, Letters of Credit or other transactions hereunder, is any of the following (each a "Blocked Person"):

- (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;
- (iii) a Person or entity with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
- (iv) a Person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order No. 13224;
- (v) a Person or entity that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or
- (vi) a Person or entity who is affiliated or associated with a person or entity listed above.

No Loan Party or to the knowledge of any Loan Party, any of its agents acting in any capacity in connection with the Loans, Letters of Credit or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction

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relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

5.2 Continuation of Representations.

The Borrower and Hovnanian make the representations and warranties in this Section 5 on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Sections 6.1 [First Loans and Letters of Credit] and 6.2 [Each Additional Loan or Letter of Credit].

## 6. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Lender to make Loans and of the Agent and the Letter of Credit Lenders to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

### 6.1 First Loans and Letters of Credit.

On the Closing Date:

#### 6.1.1. Officer's Certificate.

The representations and warranties of each of the Loan Parties contained in Section 5 [Representation and Warranties] and in each of the other Loan Documents shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Agent for the benefit of each Lender a certificate of each of Hovnanian and the Borrower, dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of each of the Loan Parties, to each such effect.

#### 6.1.2. Incumbency Certificate.

There shall be delivered to the Agent for the benefit of each Lender a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary or the managing member (or equivalent), as the case may be, of each of the Loan Parties, certifying as appropriate as to:

- (i) all action taken by each Loan Party in connection with this Agreement and the other Loan Documents;

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- (ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Agent and each Lender may conclusively rely; and

- (iii) as to Hovnanian and the Borrower only, copies of its organizational documents, including its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, and limited liability company agreement as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of such Loan Party in each state where organized.

#### 6.1.3. Delivery of Loan Documents.

The Notes, the Guaranty Agreement and the other Loan Documents shall have been duly executed and delivered by Hovnanian to the Agent on or before the date hereof for the benefit of the Lenders.

#### 6.1.4. Opinion of Counsel.

There shall be delivered to the Agent for the benefit of each Lender a written opinion of Peter Reinhart, Esquire, in-house counsel for the Loan Parties, dated the Closing Date and in form and substance reasonably satisfactory to the Agent and its counsel.

#### 6.1.5. Legal Details.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance reasonably satisfactory to the Agent and counsel for the Agent, and the Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance reasonably satisfactory to the Agent and said counsel, as the Agent or said counsel may reasonably request.

#### 6.1.6. Payment of Fees.

The Borrower shall have paid or caused to be paid to the Agent for itself and for the account of the Lenders to the extent not previously paid, all commitment and other fees accrued through the Closing Date and the costs and expenses for which the Agent and the Lenders are entitled to be reimbursed.

#### 6.1.7. Consents.

All material consents required to effectuate the transactions contemplated hereby as set forth on Schedule 5.1.12 shall have been obtained.

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6.1.8. Officer's Certificate Regarding MACs.

Since October 31, 2004, no Material Adverse Change shall have occurred, and there shall have been delivered to the Agent for the benefit of each Lender a certificate dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of each Loan Party to each such effect.

6.1.9. No Actions or Proceedings.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby.

6.1.10 Lien Search.

The Borrower shall have delivered satisfactory results of a lien search to the Agent evidencing no liens on Hovnanian or the Borrower which are not Permitted Liens.

6.2 Each Additional Loan or Letter of Credit.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Loan Parties contained in Section 5 [Representations and Warranties] and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct in all material respects on and as of the specific dates or times referred to therein); no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and the Borrower shall have delivered to the Agent a duly executed and completed Loan Request or application for a Letter of Credit as the case may be (each such application shall be deemed to be a representation by the Borrower that the conditions under this Section 6.2 for the issuance of such additional Letter of Credit have been satisfied even if not so stated in such application).

7. COVENANTS

7.1 Affirmative Covenants.

The Borrower and Hovnanian, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations (other than any contingent indemnity obligations not then due) under

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the Loan Documents and termination of the Commitments, they shall, and shall cause the other Loan Parties to, comply at all times with the following affirmative covenants:

7.1.1. Preservation of Existence, Etc.

Each Loan Party shall maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 7.2.4 [Liquidations, Mergers, Consolidations, Acquisitions] and except where failure to do so could not reasonably be expected to constitute a Material Adverse Change with respect to the Borrower or Hovnanian or with respect to the Loan Parties taken as a whole.

7.1.2. Payment of Liabilities, Including Taxes, Etc.

Each Loan Party shall duly pay and discharge all material liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all material taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, or to the extent that failure to discharge any such liabilities would not result in any additional liability which would adversely affect to a material extent the financial condition of the Borrower or Hovnanian or of the Loan Parties taken as a whole, provided that the Loan Parties will pay all such liabilities forthwith upon the commencement of proceedings to foreclose any material Lien which may have attached as security therefor.

7.1.3. Maintenance of Insurance.

Each Loan Party shall insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability, flood and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary.

7.1.4. Maintenance of Properties and Leases.



Each Loan Party shall maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties necessary to its business, and from time to time, such Loan Party will make or cause to be made all appropriate repairs, renewals or replacements thereof.

7.1.5. Maintenance of Patents, Trademarks, Etc.

Each Loan Party shall maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

7.1.6. Visitation Rights.

Each Loan Party shall permit any of the officers or authorized employees or representatives of the Agent or (at the expense of such Lender) any of the Lenders to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Lenders may reasonably request, provided that each Lender shall provide the Borrower and the Agent with reasonable notice prior to any visit or inspection. In the event any Lender desires to conduct an audit of any Loan Party, such Lender shall make a reasonable effort to conduct such audit contemporaneously with any audit to be performed by the Agent.

7.1.7. Keeping of Records and Books of Account.

The Loan Parties shall maintain and keep proper books of record and account which enable Hovnanian and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over Hovnanian or any Subsidiary of Hovnanian, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

7.1.8. Plans and Benefit Arrangements.

The Loan Parties shall, and shall cause each member of the ERISA Group that is a Subsidiary to, and shall use its reasonable best efforts to cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and, as to the Borrower, Benefit Arrangements, except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Loan Parties shall cause all of their Plans and shall use reasonable best efforts to cause all Plans maintained by any member of the ERISA Group, to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each Subsidiary to, and shall use its reasonable best efforts to cause each member of the ERISA Group to make, in a timely manner, all contributions due to Plans and Multiemployer Plans except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change.

7.1.9. Compliance with Laws.

Each Loan Party shall comply with all applicable Laws, including all Environmental Laws, in all respects, provided that it shall not be deemed to be a

violation of this Section 7.1.9 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

7.1.10. Use of Proceeds.

The Loan Parties will use the Letters of Credit and the proceeds of the Loans only for general corporate purposes and for working capital for the Borrower, Hovnanian and the Restricted Subsidiaries.

7.1.11 Anti-Terrorism Laws.

The Loan Parties and their respective Affiliates and agents shall not (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224; or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order No. 13224, the USA Patriot Act or any other Anti-Terrorism Law. The Borrower shall deliver to Lenders any certification or other evidence requested from time to time by any Lender in its reasonable discretion, confirming Borrower's compliance with this Section 7.1.11.

7.2 Negative Covenants.

The Borrower and Hovnanian, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder (other than any contingent indemnity obligations not then due) and termination of the Commitments, they shall, and shall cause the other Loan Parties to, comply with the following negative covenants:

7.2.1. Indebtedness.

Each of the Loan Parties shall not at any time create, incur, assume or suffer to exist any secured indebtedness, except Indebtedness secured by Permitted Liens.

7.2.2. Liens.

Each of the Loan Parties shall not at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

7.2.3. Loans and Investments.

Each of the Loan Parties shall not, at any time, make or suffer to remain outstanding any Investment except Permitted Investments and, to the extent

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permitted by Section 7.2.6 [Restricted Payments; Restricted Investments; Investments in Related Businesses], Restricted Investments and Investments in Related Businesses.

7.2.4. Liquidations, Mergers, Consolidations, Acquisitions.

Each of the Loan Parties shall not dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, provided that

(1) any Loan Party other than the Borrower or Hovnanian may consolidate or merge into another Loan Party (or any Person that concurrently becomes a Loan Party), and

(2) any Loan Party may consolidate or merge with a Person who is not a Loan Party if the common stockholders of Hovnanian prior to such transaction maintain at least 50% of the voting control (direct or indirect) of the combined entity after consummation of the transaction, and

(3) any Loan Party may acquire, whether by purchase or by merger, (A) all or substantially all of the ownership interests of another Person or (B) all or substantially all of assets of another Person or of a business or division of another Person (each, a "Permitted Acquisition"), provided that each of the following requirements is met:

(i) if the Loan Parties are acquiring the ownership interests in such Person, and such Person is, or concurrently will be, designated a Restricted Subsidiary, such Person shall execute a Guarantor Joinder and join this Agreement as a Guarantor pursuant to Section 10.18 [Joinder of Guarantors] and the Borrower shall have otherwise complied with Section 2.11.4 [Designation of Restricted Subsidiary] on or before the date of such Permitted Acquisition;

(ii) if such Person's shares are registered as "public" shares under applicable law, the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition;

(iii) the business acquired, or the business conducted by the Person whose ownership interests are being acquired, as applicable, shall comply with Section 7.2.8 [Continuation of or Change in Business]; and

(iv) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition.

(4) the Loan Parties may make, whether by purchase or merger or otherwise, Permitted Investments and, to the extent permitted by Section 7.2.6 [Restricted Investments; Restricted Payments; Investments in Related Businesses], Restricted Investments, Restricted Payments and Investments in Related Businesses;

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(5) the Loan Parties may liquidate or wind-up Restricted Subsidiaries of Hovnanian which are not individually material to Hovnanian, the Borrower or to the Loan Parties taken as a whole; provided that the Loan Parties shall satisfy the requirements of Section 2.11 [Designation of Subsidiaries and Release of Guarantors], to the extent applicable;

(6) the Loan Parties may effectuate any sale permitted by Section 7.2.5 as a merger or consolidation; and

(7) for the avoidance of doubt, any Loan Party may effect or allow the liquidation or winding-up of any Non-Restricted Person.

7.2.5. Dispositions of Assets or Subsidiaries.

Each of the Loan Parties shall not sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party, but excluding Investments in Non-Restricted Persons), except:

(i) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's business;

(ii) any sale, transfer or lease of assets to a Loan Party;

(iii) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired not in violation of this Agreement;

(iv) any sale, transfer or lease of assets by a Non-Restricted Subsidiary; or

(v) any other sale, transfer or lease of assets not included in clauses (i) through (iv) above provided that (1) after giving effect to such sale the Loan Parties are in compliance with the covenants under this agreement (including the financial covenants in Sections 7.2.11 [Minimum ATNW], 7.2.12 [Leverage Ratio], and 7.2.13 [Fixed Charge Coverage Ratio]) and no Potential Default or Event of Default, and (2) any such sale does not constitute all or substantially all of the assets of the Loan Parties taken as a whole;

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7.2.6. Restricted Payments; Restricted Investments; Investments in Related Businesses.

7.2.6.1 The Loan Parties shall not pay or make Restricted Payments, Restricted Investments or Investments by Loan Parties in other Loan Parties engaged in Related Businesses ("Investments in Related Businesses") from and after January 31, 2001 which exceed in the aggregate the sum of:

(i) \$45,000,000;

(ii) 50% of net income of Hovnanian (calculated and consolidated in accordance with GAAP) for all fiscal quarters commencing on February 1, 2001 and thereafter; and

(iii) 50% of the proceeds (less costs of issuance) of any issuance or sale of equity, including Qualified Preferred Equity, of Hovnanian to any Person other than a Loan Party during all fiscal quarters commencing on February 1, 2001 and thereafter.

7.2.6.2 Each of the Loan Parties shall not enter into or carry out any transaction with any Affiliate (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person but excluding transactions between Loan Parties) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and is in accordance with all applicable Law. Without limiting the foregoing, the aggregate amount of all Indebtedness for owed or borrowed money owing to any Loan Party by any officer or director, or relative thereof, shall not exceed \$1,000,000 in the aggregate owing at any one time and all such Indebtedness shall bear interest at a rate not less than the coupon rate on six month U.S. Treasury bills as of the date such Indebtedness is incurred.

7.2.6.3 The Loan Parties shall not pay or make any Restricted Payment in respect of Dividends or Subordinated Debt if an Event of Default or Potential Default exists at the time of such payment or would exist after giving effect thereto.

7.2.7. Subsidiaries, Partnerships and Joint Ventures.

Each of the Loan Parties shall not own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has executed the Guaranty Agreement as Guarantor on the Closing Date, (ii) any Subsidiary formed or acquired after the Closing Date which joins the Guaranty Agreement as a Guarantor pursuant to Section 10.18 [Joinder of Guarantors] or (iii) any Non-Restricted Person.

7.2.8. Continuation of or Change in Business.

Each of the Loan Parties existing on the Closing Date shall not engage in any business other than the homebuilding business. Each of the Loan Parties

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organized or acquired after the Closing Date shall not engage in any business other than the homebuilding business or Related Businesses.

7.2.9. Plans and Benefit Arrangements.

Each of the Loan Parties shall not engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances, results in liability under ERISA, except where the liability that could reasonably be expected to result therefrom would not result in a Material Adverse Change.

7.2.10. Borrowing Base.

At any time that the Investment Grade Period is not in effect, the Loan Parties shall not permit Senior Homebuilding Indebtedness minus the face amount of outstanding letters of credit (whether "Letters of Credit" or not) in respect of which a Loan Party is obligated and which is issued to guaranty or assure the installation of site improvements on (or appurtenant to) land owned by a Loan Party to exceed the Borrowing Base at such time. Pursuant thereto, the Borrower shall make (or cause to be made), on the Business Day following the date on which any such excess is calculated, payments of principal of Senior Homebuilding Indebtedness sufficient to reduce to zero (\$0) on such date any such excess.

7.2.11. Minimum ATNW.

The Loan Parties shall not permit Adjusted Tangible Net Worth as of the last day of any fiscal quarter to be less than the sum of: (i) \$696,402,000 and (ii) 50% of Hovnanian's consolidated net income (calculated and consolidated in accordance with GAAP) for each fiscal quarter commencing on February 1, 2005 and thereafter in which net income was earned (as opposed to a net loss), (iii) 50% of the proceeds (less costs of issuance) of any issuance or sale of equity of Hovnanian (including Qualified Preferred Equity) to any Person other than a Loan Party during each fiscal quarter commencing on February 1, 2005 and thereafter.

7.2.12. Leverage Ratio.

The Loan Parties shall not permit the Leverage Ratio as of the last day of any fiscal quarter to exceed 2.25 to 1.0.

7.2.13. Fixed Charge Coverage Ratio.

The Loan Parties shall not permit the Fixed Charge Coverage Ratio as of the last day of any fiscal quarter to be less than the 1.75 to 1.0 for each of any two (2) consecutive fiscal quarters if the second such fiscal quarter constitutes a High Leverage Period.

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7.2.14. Inventory Limits.

At any time when the Investment Grade Period is not in effect, the Loan Parties shall not permit:

(i) The Dollar value of Unentitled Land to exceed twenty percent (20%) of the sum of Adjusted Tangible Net Worth and the principal amount of the Subordinated Debt, as calculated as of the end of each fiscal quarter;

(ii) The Dollar value of Finished Lots and Land under Development plus Unentitled Land to exceed the sum of Adjusted Tangible Net Worth and the principal amount of the Subordinated Debt, as calculated as of the end of each fiscal quarter; or

(iii) The number of Unsold Dwelling Units existing as of the end of any fiscal quarter to exceed 25% of the number of Dwelling Units conveyed by any Person who is a Loan Party on the date of determination or any Person that was acquired and merged or consolidated with and into a Person who is a Loan Party on the date of determination to third party purchasers within the previous twelve (12) months.

7.2.15. Fiscal Year.

The Loan Parties shall not change their fiscal year from the twelve-month period ending October 31.

7.2.16. Changes in Subordinated Debt Documents.

The Loan Parties shall not amend or modify any provisions of the documents relating to the Subordinated Debt without providing at least ten (10) calendar days' prior written notice to the Agent, and, if the same would adversely affect the interests of the Agent and the Lenders in any material respect, obtaining the prior written consent of the Required Lenders. No Loan Party shall directly or indirectly make any payment on the Subordinated Debt which would violate the provisions of any applicable subordination agreement or provision. Neither the Senior Notes nor the Subordinated Debt shall become secured.

7.3 Reporting Requirements.

The Borrower and Hovnanian, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents (other than any contingent indemnity obligations not then due) and termination of the Commitments, they shall, and shall cause the other Loan Parties to, to the extent applicable, furnish or cause to be furnished to the Agent:

7.3.1. Quarterly Financial Statements.

As soon as available and in any event within fifty-five (55) calendar days after the end of each of the first three fiscal quarters in each fiscal year of Hovnanian, financial statements of Hovnanian, consisting of a consolidated balance sheet as of

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the end of such fiscal quarter and related consolidated statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Treasurer or Chief Financial Officer or principal accounting officer of Hovnanian as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. The Loan Parties will be deemed to have complied with the delivery requirements of this Section 7.3.1 if within fifty-five (55) days after the end of their fiscal quarter, the Borrower delivers to the Agent a copy of Hovnanian's Form 10-Q as filed with the SEC and the financial statements contained therein meets the requirements described in this Section 7.3.1.

7.3.2. Annual Financial Statements.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of Hovnanian, financial statements of Hovnanian consisting of a consolidated balance sheet as of the end of such fiscal year, and related consolidated statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally recognized standing reasonably satisfactory to the Agent. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in

the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents or cause or constitute an Event of Default. The Loan Parties will be deemed to have complied with the delivery requirements of this Section 7.3.2 if within ninety (90) days after the end of Hovnanian's fiscal year, the Borrower delivers to the Agent a copy of Hovnanian's Annual Report and Form 10-K as filed with the SEC and the financial statements and separately delivers the above-referenced certification of public accountants.

7.3.3. Certificates of the Borrower.

7.3.3.1 Compliance Certificate. Concurrently with the financial statements of Hovnanian furnished to the Agent and to the Lenders pursuant to Sections 7.3.1 [Quarterly Financial Statements] and 7.3.2 [Annual Financial Statements]:

(a) a certificate of the Borrower signed by the Chief Executive Officer, President, Treasurer or Chief Financial Officer or principal accounting officer of the Borrower, in the form of Exhibit 7.3.3.1 (each a "Compliance Certificate"), to the effect that, except as described pursuant to Section 7.3.3.2 [Borrowing Base Certificate], (i) the representations and warranties of the Borrower contained in Section 5.1 [Representations and Warranties] and in the other Loan Documents are true and correct in all material respects on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time), (ii) no Event of Default or Potential Default

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exists and is continuing on the date of such certificate and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 7.2 [Negative Covenants].

(b) summary consolidated financial statements for each of (i) the Non-Restricted Persons as a group and (ii) the Borrower, Hovnanian and the Restricted Subsidiaries as a group; provided that the statements provided in footnote 20 entitled "Financial Information of Subsidiary Issuer and Subsidiary" of the Borrower's consolidated financial statements in Form 10-K and in footnote 16 in Form 10-Q shall be deemed to satisfy this requirement;

(c) summary financial statements for each Joint Venture in which any Loan Party has a Subsidiary Investment greater than an amount equal to 4% of Adjusted Tangible Net Worth as of the last day of the previous fiscal quarter of Hovnanian; and

(d) to the extent not previously disclosed in writing to the Agent, a report of any changes to Schedule 1.1(C) including changes arising under Section 2.11 [Designation of Subsidiaries and Release of Guarantors].

7.3.3.2 Borrowing Base Certificate.

As soon as available, but not later than fifty-five (55) days after the end of each month, a Borrowing Base Certificate as of the end of such month, appropriately completed, executed and delivered by an Authorized Officer, together with a certificate of the Borrower signed by the Chief Executive Officer, President, Treasurer or Chief Financial Officer or principal accounting officer of the Borrower, in the form of Exhibit 7.3.3.2, to the effect that, except as described pursuant to Section 7.3.4 [Notice of Default], no Event of Default or Potential Default exists and is continuing on the date of such Borrowing Base Certificate; provided, however, the Borrowing Base Certificate delivered with respect to the month of October, in any year, may be in draft form, subject to change as a result of the year-end audit, but in no event shall be executed and delivered in final form later than ninety (90) days after the end of such fiscal year. The Borrower shall be required to deliver a Borrowing Base Certificate as of the end of a month even if the Investment Grade Period is in effect as of such month-end.

7.3.4. Notice of Default.

Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer or principal accounting officer of such Loan Party setting forth the details of such Event of Default or Potential Default and the action which such Loan Party proposes to take with respect thereto.

7.3.5. Notice of Litigation.

Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person

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against any Loan Party that involve a claim or series of claims in excess of \$1,000,000 which is not covered by insurance or which could reasonably be expected to constitute a Material Adverse Change.

7.3.6. Notice of Change in Debt Rating.

Within two (2) Business Days after Standard & Poor's, Moody's or Fitch announces a change in Hovnanian's Debt Rating, notice of such change. Hovnanian will deliver together with such notice a copy of any written notification which Hovnanian received from the applicable rating agency regarding such change of Debt Rating.

7.3.7. Budgets, Forecasts, Other Reports and Information.

Promptly upon their becoming available to any Loan Party:

(i) any reports, notices or proxy statements generally distributed by Hovnanian to its stockholders,

(ii) regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, filed by Hovnanian with the SEC, and

(iii) such other reports and information as the Agent may from time to time reasonably request. The Loan Parties shall also notify the Agent promptly of the enactment or adoption of any Law which could reasonably be expected to constitute a Material Adverse Change.

### 7.3.8. Notices Regarding Plans and Benefit Arrangements.

#### 7.3.8.1 Certain Events.

Promptly after learning of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of any of the following events, or series of such events, if, individually or in the aggregate, any liabilities or penalties resulting from such event(s) could reasonably be expected to result in a Material Adverse Change:

- (i) any Reportable Event with respect to any Plan,
- (ii) any Prohibited Transaction which could subject any Loan Party or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,
- (iii) any withdrawal from a Multiemployer Plan by the Borrower or any other member of the ERISA Group under Title IV of ERISA or assertion by a Multiemployer Plan that such a withdrawal has occurred,

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(iv) any cessation of operations (by any Loan Party or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(v) withdrawal by any Loan Party or any other member of the ERISA Group from a Plan in the circumstances described in Section 4063 of ERISA or the termination of such Plan in the circumstances described in Section 4064 of ERISA,

(vi) a failure to make any required contribution to a Plan or the creation of any Lien in favor of the PBGC or a Plan,

(vii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(viii) the distress termination of a Plan, under Title IV of ERISA, which has insufficient assets to pay all liabilities.

#### 7.3.8.2 Notices of Involuntary Termination and Annual Reports.

Promptly after receipt thereof, copies of (a) all notices received by any Loan Party or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Borrower or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Agent or any Lender each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by any Loan Party or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Borrower or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by any Loan Party or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

#### 7.3.8.3 Notice of Voluntary Termination.

Where a termination of any Plan would result in a Material Adverse Change, promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

## 8. DEFAULT

### 8.1 Events of Default.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

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#### 8.1.1. Payments Under Loan Documents.

The Borrower shall fail to pay (i) any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing when such principal is due hereunder or (ii) any

interest on any Loan, Reimbursement Obligation or Letter of Credit Borrowing or any other amount owing hereunder or under the other Loan Documents within three (3) Business Days after such interest or other amount becomes due in accordance with the terms hereof or thereof;

8.1.2. Breach of Warranty.

Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

8.1.3. Breach of Certain Negative Covenants.

Any of the Loan Parties shall default in the observance or performance of any covenant contained in Sections 7.2.10 [Borrower Base], 7.2.11 [Minimum ATNW], 7.2.12 [Leverage Ratio], 7.2.13 [Fixed Charge Coverage Ratio] or 7.2.14 [Inventory and Land Purchase Limits];

8.1.4. Breach of Other Covenants.

Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of thirty (30) Business Days after notice to the Borrower from the Agent;

8.1.5. Defaults in Other Agreements or Indebtedness.

Either (i) a default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness (excluding any surety bonds) under which any Loan Party may be obligated as a borrower or guarantor in excess of \$10,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any Indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any Indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend, or (ii) draws shall be made on surety bonds in excess of \$10,000,000 in the aggregate issued on behalf of any Loan Party and such Loan Party shall fail to reimburse the providers thereof within 60 days after the date of the applicable draws;

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8.1.6. Final Judgments or Orders.

Any final judgments or orders for the payment of money in excess of \$10,000,000 in the aggregate (excluding amounts covered by insurance with respect to which the relevant insurer acknowledged such coverage) shall be entered against any Loan Party by a court having jurisdiction, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

8.1.7. Loan Document Unenforceable.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms or as permitted under the Loan Documents) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

8.1.8. Uninsured Losses; Proceedings Against Assets.

Any of the Loan Parties' assets come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter and could reasonably be expected to constitute a Material Adverse Change;

8.1.9. Notice of Lien or Assessment.

Any taxes or debts owing in excess of \$10,000,000 in the aggregate at any time or times hereafter to any of the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC become payable and the same are not paid within thirty (30) days after the same become payable;

8.1.10. Insolvency.

Any of (i) Hovnanian, (ii) the Borrower or (iii) Restricted Subsidiaries owning as of the date of any event described in this Section 8.1.10 three percent (3%) or more of the Dollar value of all of the assets of all of the Subsidiaries of Hovnanian taken as a whole ceases to be solvent or admits in writing its inability to pay its debts as they mature;

8.1.11. Events Relating to Plans and Benefit Arrangements.

Any of the following occurs: (i) any Reportable Event with respect to a Plan, which the Agent reasonably determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been

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filed with respect to any Plan; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Agent reasonably determines in good faith that the amount of any Loan Party's liability is likely to exceed 10% of the Consolidated Tangible Net Worth of the Loan Parties; (v) any "accumulated funding deficiency" (as defined in Section 302 of ERISA) shall exist with respect to any Plan, or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any other member of the ERISA Group, (vi) any Loan Party or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) any Loan Party or any other member of the ERISA Group shall incur any liability in connection with a withdrawal from a Multiemployer Plan; (viii) any Loan Party or any other member of the ERISA Group shall withdraw under Section 4063 of ERISA (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Plan; or (ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Agent reasonably determines in good faith that any such occurrence, together with all other such events, would be reasonably likely to result in a Material Adverse Change;

#### 8.1.12. Cessation of Business.

Any Loan Party is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof and any of the foregoing could reasonably be expected to constitute a Material Adverse Change;

#### 8.1.13. Change of Control.

(i) Any person or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) 40% or more of the voting capital stock of Hovnanian; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Borrower on the first day of such period, or who were nominated by a majority of such directors, shall cease to constitute a majority of the board of directors of the Borrower;

#### 8.1.14. Involuntary Proceedings.

A proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of any of (i) Hovnanian, (ii) the Borrower or (iii) Restricted Subsidiaries owning as of the date of any event described in this Section 8.1.14 three percent (3%) or more of the Dollar value of all of the assets of all of the Subsidiaries of Hovnanian taken as a whole in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party for any substantial part of its property, or for the winding-up

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or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

#### 8.1.15. Voluntary Proceedings.

Any of (i) Hovnanian, (ii) the Borrower or (iii) Restricted Subsidiaries owning as of the date of any event described in this Section 8.1.15 three percent (3%) or more of the Dollar value of all of the assets of all of the Subsidiaries of Hovnanian taken as a whole shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

### 8.2 Consequences of Event of Default.

#### 8.2.1. Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Sections 8.1.1 [Payments Under Loan Documents] through 8.1.13 [Change of Control] shall occur and be continuing, the Lenders and the Agent shall be under no further obligation to make Loans or issue Letters of Credit, as the case may be, and the Agent may, and upon the request of the Required Lenders, shall (i) by written notice to the Borrower, declare the unpaid principal amount of the Loan then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Lenders hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Agent for the benefit of each Lender without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in an interest-bearing account with the Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Agent and the Lenders, and grants to the Agent and the Lenders a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default, the Agent shall return such cash collateral to the Borrower; and

#### 8.2.2. Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Section 8.1.14 [Involuntary Proceedings] or 8.1.15 [Voluntary Proceedings] shall occur, the Lenders shall be under no further obligations to make Loans or issue Letters of Credit hereunder and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Lenders hereunder and thereunder shall be

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immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived and the Borrower shall upon such occurrence, deposit in an interest-bearing account with the Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Agent and the Lenders, and grants to the Agent and the Lenders a security interest in, all such cash as security for such Obligations; and

### 8.2.3. Set-off.

If an Event of Default shall occur and be continuing, any Lender to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Lender which has agreed in writing to be bound by the provisions of Section 9.13 [Equalization of Lenders] and any branch, Subsidiary or Affiliate of such Lender or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and apply to the then unpaid balance of all past-due Loans and all other past-due Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Lender or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Lender or participant or such branch, Subsidiary or Affiliate; and

### 8.2.4. Suits, Actions, Proceedings.

If an Event of Default shall occur and be continuing, and whether or not the Agent shall have accelerated the maturity of Loans pursuant to any of the foregoing provisions of this Section 8.2 [Consequences of Event of Default], the Agent or any Lender, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents, including as permitted by applicable Law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Agent or such Lender; and

### 8.2.5. Application of Proceeds.

From and after the date on which the Agent has taken any action pursuant to this Section 8.2 [Consequences of Event of Default] and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Agent from the exercise of any remedy by the Agent, shall be applied as follows:

(i) first, to reimburse the Agent and the Lenders for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals'

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fees and legal expenses, incurred by the Agent or the Lenders in connection with collection of any Obligations of any of the Loan Parties under any of the Loan Documents;

(ii) second, to the repayment of all Indebtedness then due and unpaid of the Loan Parties to the Lenders incurred under this Agreement or any of the other Loan Documents, whether of principal, interest, fees, expenses or otherwise, in such manner as the Agent may determine in its discretion; and

(iii) the balance, if any, as required by Law.

### 8.2.6. Other Rights and Remedies.

In addition to all of the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Agent shall have all of the rights and remedies under applicable Law, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by Law. The Agent may, and upon the request of the Required Lenders shall, exercise all post-default rights granted to the Agent and the Lenders under the Loan Documents or applicable Law.

## 9. THE AGENT

### 9.1 Appointment.

Each Lender hereby irrevocably designates, appoints and authorizes PNC Bank to act as Agent for such Lender under this Agreement and to execute and deliver or accept on behalf of each of the Lenders the other Loan Documents. Each Lender hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank agrees to act as the Agent on behalf of the Lenders to the extent provided in this Agreement.

### 9.2 Delegation of Duties.

The Agent may perform any of its duties hereunder by or through agents or employees (provided such delegation does not constitute a relinquishment of its duties as Agent) and, subject to Sections 9.5 [Reimbursement and Indemnification of Agent by the Borrower] and 9.6 [Exculpatory Provisions; Limitation of Liability], shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

### 9.3 Nature of Duties; Independent Credit Investigation.

The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement a

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fiduciary or trust relationship in respect of any Lender; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Lender expressly acknowledges (i) that the Agent has not made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Agent to any Lender; (ii) that it has made and will continue to make, without reliance upon the Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

#### 9.4 Actions in Discretion of Agent; Instructions From the Lenders.

The Agent agrees, upon the written request of the Required Lenders, to take or refrain from taking any action of the type specified as being within the Agent’s rights, powers or discretion herein, provided that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Lenders, the Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Lenders or all of the Lenders. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Lenders, subject to Section 9.6 [Exculpatory Provisions; Limitation of Liability]. Subject to the provisions of Section 9.6 [Exculpatory Provisions; Limitation of Liability], no Lender shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders, or in the absence of such instructions, in the absolute discretion of the Agent.+

#### 9.5 Reimbursement and Indemnification of Agent by the Borrower.

The Borrower unconditionally agrees to pay or reimburse the Agent, its Affiliates and their respective directors, officers, employees, agents and advisors and hold such Persons harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of counsel (including the allocated costs of staff counsel), incurred by such Persons (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other

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Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Persons, in their capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Persons hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from such Persons’ gross negligence or willful misconduct or from the gross negligence or willful misconduct of any of such Person’s Affiliates, directors, officers, employees, agents or advisors, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. In addition, after the occurrence and during the continuance of an Event of Default, the Borrower agrees to reimburse and pay all reasonable out-of-pocket expenses of the Agent’s regular employees and agents engaged periodically to perform audits of the Loan Parties’ books, records and business properties.

#### 9.6 Exculpatory Provisions; Limitation of Liability.

Neither the Agent nor any of its directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Lender for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Lenders for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Lenders to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Loan Parties, any Lender, the Agent or any of their respective Subsidiaries against the Agent, any Lender or any of their respective directors, officers, employees, agents, attorneys or Affiliates, or any of them, for any special, indirect or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of or related to any Loan Document or the transactions contemplated hereby or any act, omission or event occurring in connection therewith, including the negotiation, documentation, administration or collection of the Loans, and each of the Loan Parties (for itself and on behalf of each of its Subsidiaries), the Agent and each Lender hereby waive, release and agree never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or

suspected to exist in its favor. The Agent shall promptly distribute to each Lender copies of financial statements delivered by the Borrower pursuant to Section 7.3.1 and Section 7.3.2 and the Borrowing Base Certificates delivered pursuant to Section 7.3.3.2. Each Lender agrees that, except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agent hereunder or given to the Agent for the account of or with copies for the Lenders, the Agent and each of its directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Lender with credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Loan Parties which may come into the possession of the Agent or any of its directors, officers, employees, agents, attorneys or Affiliates.

9.7 Reimbursement and Indemnification of Agent by Lenders.

Each Lender agrees to reimburse and indemnify the Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), its Affiliates and their respective directors, officers, employees, agents and advisors in proportion to such Lender's Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Persons, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Persons hereunder or thereunder, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from such Persons' gross negligence or willful misconduct, or (b) if such Lender was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Lender shall remain liable to the extent such failure to give notice does not result in a loss to the Lender), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Lender, which shall not be unreasonably withheld. In addition, each Lender agrees promptly upon demand to reimburse such Persons (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Agent in connection with the Agent's periodic audit of the Loan Parties' books, records and business properties.

9.8 Reliance by Agent.

The Agent shall be entitled to rely upon any writing, telegram, telex or teletype message, electronic mail, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

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9.9 Notice of Default.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

9.10 Notices.

The Agent shall promptly send to each Lender a copy of all notices received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Agent shall promptly notify the Borrower and the other Lenders of each change in the Base Rate and the effective date thereof.

9.11 Lenders in Their Individual Capacities; Agents in its Individual Capacity.

With respect to its Revolving Credit Commitment, the Revolving Credit Loans made by it and any other rights and powers given to it as a Lender hereunder or under any of the other Loan Documents, the Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not the Agent, and the term "Lender" and "Lenders" shall, unless the context otherwise indicates, include the Agent in its individual capacity. PNC Bank and its Affiliates and each of the Lenders and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, issue letters of credit for the account of, acquire equity interests in, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with, the Loan Parties and their Affiliates, in the case of the Agent, as though it were not acting as Agent hereunder and in the case of each Lender, as though such Lender were not a Lender hereunder, in each case without notice to or consent of the other Lenders. The Lenders acknowledge that, pursuant to such activities, the Agent or its Affiliates may (i) receive information regarding the Loan Parties or any of their Subsidiaries or Affiliates (including information that may be subject to confidentiality obligations in favor of the Loan Parties or such Subsidiary or Affiliate) and acknowledge that the Agent shall be under no obligation to provide such information to them, and (ii) accept fees and other consideration from the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

9.12 Holder of Notes.

The Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

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9.13 Equalization of Lenders.

The Lenders and the holders of any participations in any Commitments or Loans or other rights or obligations of a Lender hereunder agree among themselves that, with respect to all amounts received by any Lender or any such holder for application on any Obligation hereunder or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Lenders and such holders in proportion to their interests in payments on the Loans, except as otherwise provided in Section 3.4.3 [Agent's and Lender's Rights], 4.4.2 [Replacement of a Lender] or 4.6 [Additional Compensation in Certain Circumstances]. The Lenders or any such holder receiving any such amount shall purchase for cash from each of the other Lenders an interest in such Lender's Loans in such amount as shall result in a ratable participation by the Lenders and each such holder in the aggregate unpaid amount of the Loans, provided that if all or any portion of such excess amount is thereafter recovered from the Lender or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Lender or the holder making such purchase.

9.14 Successor Agent.

The Agent (i) may resign as Agent or (ii) shall resign if such resignation is requested by the Required Lenders (if the Agent is a Lender, the Agent's Loans and its Commitment shall be considered in determining whether the Required Lenders have requested such resignation) or required by Section 4.4.2 [Replacement of a Lender], in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. If the Agent shall resign under this Agreement, then either (a) the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, subject to the consent of the Borrower, such consent not to be unreasonably withheld, or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following the Agent's notice to the Lenders of its resignation, then the Agent shall appoint from among the Lenders, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor agent who shall serve as Agent until such time as the Required Lenders appoint and the Borrower consents to the appointment of a successor agent. Upon its appointment pursuant to either clause (a) or (b) above, such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the resignation of any Agent hereunder, the provisions of this Section 9 shall inure to the benefit of such former Agent and such former Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Agent under this Agreement.

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9.15 Agent's Fees.

The Borrower shall pay to the Agents nonrefundable fees (the "Agent's Fees") under the terms of a letters (the "Agent's Letters") between the Borrower and Agents, as amended from time to time.

9.16 Availability of Funds.

The Agent may assume that each Lender has made or will make the proceeds of a Loan available to the Agent unless the Agent shall have been notified by such Lender on or before the later of (1) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan or two (2) hours before the time on which the Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this Section 9.16 or using proceeds deposited with the Agent by the Lenders and whether such funding occurs before or after the time on which Lenders are required to deposit the proceeds of such Loan with the Agent). The Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Lender, the Agent shall be entitled to recover such amount on demand from such Lender (or, if such Lender fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

9.17 Calculations.

In the absence of gross negligence or willful misconduct, the Agent shall not be liable for any error in computing the amount payable to any Lender whether in respect of the Loans, fees or any other amounts due to the Lenders under this Agreement. In the event an error in computing any amount payable to any Lender is made, the Agent, the Borrower and each affected Lender shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

9.18 Beneficiaries.

Except as expressly provided herein, the provisions of this Section 9 [The Agent] are solely for the benefit of the Agent and the Lenders, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

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10. MISCELLANEOUS

10.1 Modifications, Amendments or Waivers.

With the written consent of the Required Lenders, the Agent, acting on behalf of all the Lenders, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the

rights of the Lenders or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Loan Parties hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Lenders and the Loan Parties; provided, that, without the written consent of all the Lenders, no such agreement, waiver or consent may be made which will:

10.1.1. Increase of Commitment.

Increase the amount of the aggregate Revolving Credit Commitments;

10.1.2. Extension of Payment; Reduction of Principal, Interest or Fees; Modification of Terms of Payment.

Subject to Section 2.10 [Extension by Lenders of the Expiration Date], but whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan (excluding the due date of any mandatory prepayment of a Loan or any mandatory Commitment reduction in connection with such a mandatory prepayment hereunder except for mandatory reductions of the Commitments on the Expiration Date), the Commitment Fee or any other fee payable to any Lender, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Commitment Fee or any other fee payable to any Lender, or otherwise directly affect the terms of payment of the principal of or interest of any Loan, the Commitment Fee or any other fee payable to any Lender;

10.1.3. Miscellaneous

Amend Section 2.11.1 [Release of Guarantors], 4.2 [Pro Rata Treatment of Lenders], 9.6 [Exculpatory Provisions; Limitation of Liability], 9.13 [Equalization of Lenders] or this Section 10.1 [Modifications, Amendments or Waivers] change the pro rata treatment of the Lenders, change the definition of Required Lenders, or change any requirement providing for the Lenders or the Required Lenders to authorize the taking of any action hereunder;

provided, that no agreement, waiver or consent which would modify the interests, rights or obligations of the Agent in its capacity as Agent shall be effective without the written consent of the Agent and provided further, that no provision of Sections 2.1.2 [Swing Loan Commitment], 2.4.2 [Swing Loan Requests], 2.5.2 [Making Swing Loans], 2.6 [Swing Loan Note], 2.8 [Borrowings to Repay Swing Loans] and 4.8 [Settlement Date Procedures] may be amended or modified without the consent of PNC Bank.

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10.2 No Implied Waivers; Cumulative Remedies; Writing Required.

No course of dealing and no delay or failure of the Agent or any Lender in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Agent and the Lenders under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Lender of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.3 Reimbursement and Indemnification of Lenders by the Borrower; Taxes.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Lender (other than the Agent, as to which the Borrower's Obligations are set forth in Section 9.5 [Reimbursement and Indemnification of Agent by the Borrower]) and its Affiliates, and their respective directors, officers, employees, agents and advisors and to save such Persons harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel (including allocated costs of staff counsel) for each such Person except with respect to (a) and (b) below), incurred by such Person (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Person, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Person hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Person's gross negligence or willful misconduct or from the gross negligence or willful misconduct of any of such Person's Affiliates, directors, officers, employees, agents or advisors, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Borrower agrees unconditionally to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Agent or any Lender to be

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payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Agent and the Lenders harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

10.4 Holidays.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 3.2 [Interest Periods] with respect to Interest Periods under the LIBO-Rate Option) and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

10.5 Funding by Branch, Subsidiary or Affiliate.

10.5.1. Notional Funding.

Each Lender shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Lender) of such Lender to have made, maintained or funded any Loan to which the LIBO-Rate Option applies at any time, provided that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation (including pursuant to Section 4.6 [Additional Compensation in Certain Circumstances]) than it would have been in the absence of such change. Notional funding offices may be selected by each Lender without regard to such Lender's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Lender.

10.5.2. Actual Funding.

Each Lender shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Lender to make or maintain such Loan subject to the last sentence of this Section 10.5.2. If any Lender causes a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Lender, but in no event shall any Lender's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Lender or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrower hereunder or

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require the Borrower to pay any other compensation to any Lender (including any expenses incurred or payable pursuant to Section 4.6 [Additional Compensation in Certain Circumstances]) which would otherwise not be incurred.

10.6 Notices.

Any notice, request, demand, direction or other communication (for purposes of this Section 10.6 only, a "Notice") to be given to or made upon any party hereto under any provision of this Agreement shall be given or made by telephone or in writing (which includes means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this Section 10.6 in accordance with this Section 10.6. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on Schedule 1.1(B) hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 10.6. Any Notice shall be effective:

- (i) In the case of hand-delivery, when delivered;
- (ii) If given by mail, four (4) days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;
- (iii) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or overnight courier delivery of a confirmatory notice (received at or before noon on such next Business Day);
- (iv) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;
- (v) In the case of electronic transmission, when actually received;
- (vi) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such web site) by another means set forth in this Section 10.6; and
- (vii) If given by any other means (including by overnight courier), when actually received.

Any Lender giving a Notice to a Loan Party shall concurrently send a copy thereof to the Agent, and the Agent shall promptly notify the other Lenders of its receipt of such Notice.

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10.7 Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in

any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

10.8 Governing Law.

Each Letter of Credit and Section 2.10 [Letter of Credit Subfacility] shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the State of New Jersey without regard to its conflict of laws principles, and the balance of this Agreement shall be deemed to be a contract under the Laws of the State of New Jersey and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of New Jersey without regard to its conflict of laws principles.

10.9 Prior Understanding.

This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

10.10 Duration; Survival.

All representations and warranties of the Borrower and Hovnanian contained herein or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Agent or the Lenders, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Borrower and Hovnanian contained in Sections 7.1 [Affirmative Covenants], 7.2 [Negative Covenants] and 7.3 [Reporting Requirements] herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in Section 4 [Payments] and Sections 9.5 [Reimbursement and Indemnification of Agent by the Borrower], 9.7 [Reimbursement and Indemnification of Agent by Lenders] and 10.3 [Reimbursement and Indemnification of Lenders by Borrower; Taxes], shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

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10.11 Successors and Assigns.

10.11.1 This Agreement shall be binding upon and shall inure to the benefit of the Lenders, the Agent, the Loan Parties a party hereto and their respective successors and assigns, except that none of the Loan Parties a party hereto may assign or transfer any of its rights and obligations hereunder or any interest herein. Each Lender may, at its own cost, make assignments of or sell participations in all or any part of its Commitments and the Loans made by it to one or more banks or other entities, subject to the consent of the Borrower and the Agent with respect to any assignee, such consent not to be unreasonably withheld provided that (1) no consent of the Borrower shall be required (A) if an Event of Default exists and is continuing, (B) in the case of an assignment by a Lender to an Affiliate of such Lender, or (C) in respect of the sale of a participation, (2) any assignment by a Lender to a Person other than an Affiliate of such Lender may not be made in amounts less than the lesser of \$10,000,000 or the amount of the assigning Lender's Commitment and (3) no consent of the Agent shall be required in the case of an assignment by a Lender to an Affiliate of such Lender. In the case of an assignment, upon receipt by the Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Lender hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Note subject to such assignment, the Borrower shall execute and deliver a new Note to the assignee, if such assignee requests such a Note in an amount equal to the amount of the Revolving Credit Commitment assumed by it and a new Revolving Credit Note to the assigning Lender, if the assigning Lender requests such a Note, in an amount equal to the Revolving Credit Commitment or retained by it hereunder. Any Lender which assigns any or all of its Commitment or Loans to a Person other than an Affiliate of such Lender shall pay to the Agent a service fee in the amount of \$3,500 for each assignment. In the case of a participation, the participant shall only have the rights specified in Section 8.2.3 [Set-off] (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 10.1.1 [Increase of Commitment, Extension of Expiration Date], or 10.1.2 [Extension of Payment; Reduction of Principal, Interest or Fees; Modification of Terms of Payment]), all of such Lender's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Lender had not sold such participation.

10.11.2 Each Lender or assignee or participant of a Lender that is not incorporated under the laws of the United States of America or a state thereof (and, upon the written request of the Agent, each other Lender or assignee or participant of a Lender) shall deliver to the Borrower and the Agent a Withholding Certificate as described in Section 10.17 [Tax Withholding Clause] relating to federal income tax withholding. Each Lender may furnish any publicly available information concerning Hovnanian or any Loan Party and any other information concerning Hovnanian or any Loan Party in the possession of such Lender from time to time to assignees and participants (including prospective assignees or participants), provided that such assignees and participants agree to be bound by the provisions of Section 10.12 [Confidentiality].

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10.11.3 Notwithstanding any other provision in this Agreement, any Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Note (if any) and the other Loan Documents to any Federal Reserve Lender in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR Section 203.14 without notice to or consent of the Borrower or the Agent. No such pledge or grant of a security interest shall release the transferor Lender of its obligations hereunder or under any other Loan Document.

10.12 Confidentiality.

10.12.1 General.

The Agent and the Lenders each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Agent and the Lenders shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to Moody's, Standard & Poor's and similar rating agencies, (iii) to assignees and participants as contemplated by Section 10.11 [Successors and Assigns], and prospective assignees and participants subject to an agreement of such Persons to maintain the confidentiality, (iv) to the extent requested by any bank regulatory authority or, with notice to the Borrower, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (v) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (vi) if the Borrower shall have consented to such disclosure.

10.12.2. Sharing Information With Affiliates of the Lenders.

Each Loan Party a party hereto acknowledges that from time to time financial advisory, investment banking and other services (including the provision of swaps, derivatives, securitizations or other financial products) may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Lender or by one or more Subsidiaries or Affiliates of such Lender and each of the Loan Parties a party hereto hereby authorizes each Lender to share any information delivered to such Lender by such Loan Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or Affiliate of any Lender receiving such information shall be bound by the provisions of Section 10.12 [Confidentiality] as if it were a Lender hereunder. Such Authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

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10.13 Counterparts.

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

10.14 Agent's or Lender's Consent.

Whenever the Agent's or any Lender's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, unless specifically otherwise provided herein, the Agent and each Lender shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

10.15 Exceptions.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

**EACH LOAN PARTY A PARTY HERETO HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE SUPERIOR COURT OF NEW JERSEY, LAW DIVISION, MIDDLESEX COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH LOAN PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 10.6 [NOTICES] AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH LOAN PARTY A PARTY HERETO WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE. EACH LOAN PARTY A PARTY HERETO, THE AGENT AND THE LENDERS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.**

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10.17 Certifications From Lenders and Participants.

10.17.1 Tax Withholding Clause.

Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States of America or a state thereof (and, upon the written request of the Agent, each other Lender or assignee or participant of a Lender) agrees that it will deliver to each of the Borrower and the Agent two (2) duly completed appropriate valid Withholding Certificates (as defined under §1.1441-1(c)(16) of the Income Tax Regulations ("Regulations")) certifying its status (*i.e.*, U.S. or foreign person) and, if appropriate, making a claim of reduced, or exemption from, U.S. withholding tax on the basis of an income tax treaty or an exemption provided by the Internal Revenue Code. Such delivery may be made by electronic transmission as described in §1.1441-1(e)(4)(iv) of the Regulations if the Agent establishes an electronic delivery system. The term "Withholding Certificate" means a Form W-9; a Form W-8BEN; a Form W-8ECI; a Form W-8IMY and the related statements and certifications as required under §1.1441-1(e)(3) of the Regulations; a statement described in §1.871-14(c)(2)(v) of the Regulations; or any other certificates under the Code or Regulations that certify or establish the status of a payee or beneficial owner as a U.S. or foreign person. Each Lender, assignee or participant required to deliver to the Borrower and the Agent a valid Withholding Certificate pursuant to the preceding sentence shall deliver such valid Withholding Certificate as follows: (A) each Lender which is a party



hereto on the Closing Date shall deliver such valid Withholding Certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Lender; (B) each assignee or participant shall deliver such valid Withholding Certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Agent in its sole discretion shall permit such assignee or participant to deliver such Withholding Certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Agent). Each Lender, assignee or participant which so delivers a valid Withholding Certificate further undertakes to deliver to each of the Borrower and the Agent two (2) additional copies of such Withholding Certificate (or a successor form) on or before the date that such Withholding Certificate expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent Withholding Certificate so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent. Notwithstanding the submission of a Withholding Certificate claiming a reduced rate of, or exemption from, United States withholding tax, the Agent shall be entitled to withhold United States federal income taxes at the full 30% withholding rate if in its reasonable judgment it is required to do so under the due diligence requirements imposed upon a withholding agent under §1.1441-7(b) of the Regulations. Further, the Agent is indemnified under §1.1461-1(e) of the Regulations against any claims and demands of any Lender or assignee or participant of a Lender for the amount of any tax it deducts and withholds in accordance with regulations under §1441 of the Internal Revenue Code.

#### 10.17.2 USA Patriot Act.

Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and

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the applicable regulations because it is both (i) an affiliate of a depository institution or foreign Lender that maintains a physical presence in the United States or foreign country, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Agent the certification, or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (1) within 10 days after the Closing Date, and (2) as such other times as are required under the USA Patriot Act.

#### 10.18 Joinder of Guarantors.

Any Subsidiary of Hovnanian which is required to join the Guaranty Agreement as a Guarantor pursuant to Section 7.2.7 [Subsidiaries, Partnerships and Joint Ventures] or which is to become, a Restricted Subsidiary shall execute and deliver to the Agent or the Agent's counsel (i) a Guarantor Joinder pursuant to which it shall join as a Guarantor the Guaranty Agreement; and (ii) at the request of the Agent or its counsel, documents in the forms described in Section 6.1 [First Loans and Letters of Credit] modified as appropriate to relate to such new Guarantor. Hovnanian and Borrower shall deliver such Guarantor Joinder and any related documents that the Agent or its counsel may reasonably request to the Agent or its counsel after the formation thereof and its designation as a Restricted Subsidiary; such Subsidiary shall not be a Restricted Subsidiary until the delivery and effectiveness of the items required herein.

#### 10.19 Concerning Agent Terms.

Notwithstanding anything contained herein which may be construed to the contrary, none of the Syndication Agents, the Documentation Agents, Co-Managing Agents and the Joint Lead Arrangers and Joint Book Runners shall exercise any of the rights or have any of the responsibilities of the Agent hereunder, or any other rights or responsibilities other than their respective rights and responsibilities (if any) as Lenders hereunder.

#### 10.20 Ratification of Notes and Loan Documents and Existing Obligations.

All of the terms, conditions, provisions and covenants in the Prior Credit Agreement, the Notes and other Loan Documents delivered in connection therewith, and all other documents delivered to the Agent and the Lenders in connection with any of the foregoing documents and obligations evidenced or secured thereby shall remain unaltered and in full force and effect and are hereby ratified and confirmed in all respects, except as specifically modified herein. This Agreement amends and restates, and supersedes, the Prior Credit Agreement and is in no way intended to constitute a novation of the "Obligations" under the Prior Credit Agreement. On the date this Agreement becomes effective, and subject to the satisfaction (or waiver by Agent in its sole discretion) of all applicable conditions to advances hereunder, all sums owing under the Prior Credit Agreement and the Loan Documents thereunder shall be deemed to be outstanding and owing under, evidenced by, and governed by the terms of this Agreement, the new Notes, and the other existing Loan Documents.

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#### 10.21 No Reliance on Agent's Customer Identification Program.

Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (1) any identity verification procedures, (2) any recordkeeping, (3) comparisons with government lists, (4) customer notices or (5) other procedures required under the CIP Regulations or such other Laws.

[SIGNATURES CONTINUED ON NEXT PAGE]

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[SIGNATURE PAGE 1 OF 27 TO THE CREDIT AGREEMENT]

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date first written.

**K. HOVNIANIAN ENTERPRISES, INC.**

By:  /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and Chief  
Financial Officer

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[SIGNATURE PAGE 2 OF 27 TO THE CREDIT AGREEMENT]

**PNC BANK, NATIONAL ASSOCIATION**  
as Agent and as a Lender

By:  /s/ Douglas G. Paul

Name: Douglas G. Paul

Title: Senior Vice President

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[SIGNATURE PAGE 3 OF 27 TO THE CREDIT AGREEMENT]

**WACHOVIA BANK, NATIONAL  
ASSOCIATION**

By:  /s/ John D. Powers

Name: John D. Powers

Title: Senior Vice President

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[SIGNATURE PAGE 4 OF 27 TO THE CREDIT AGREEMENT]

**BANK OF AMERICA, N.A.**

By:  /s/ Mark W. Lariviere

Name: Mark W. Lariviere

Title: Senior Vice President

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[SIGNATURE PAGE 5 OF 27 TO THE CREDIT AGREEMENT]

**J.P. MORGAN CHASE BANK, N.A.**

By:  /s/ Michael P. O'Keefe

Name: Michael P. O'Keefe

Title: Associate

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[SIGNATURE PAGE 6 OF 27 TO THE CREDIT AGREEMENT]

**THE ROYAL BANK OF SCOTLAND  
plc**

By: /s/ David Apps

Name: David Apps

Title: Senior Vice President

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[SIGNATURE PAGE 7 OF 27 TO THE CREDIT AGREEMENT]

**KEYBANK NATIONAL ASSOCIATION**

By: /s/ Jeff V. Aycock

Name: Jeff V. Aycock

Title: Vice President

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[SIGNATURE PAGE 8 OF 27 TO THE CREDIT AGREEMENT]

**GUARANTY BANK**

By: /s/ Randy Reid

Name: Randy Reid

Title: Senior Vice President

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[SIGNATURE PAGE 9 OF 27 TO THE CREDIT AGREEMENT]

**SUNTRUST BANK**

By: /s/ W. John Wendler

Name: W. John Wendler

Title: Senior Vice President

---

[SIGNATURE PAGE 10 OF 27 TO THE CREDIT AGREEMENT]

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Michael Raarup

Name: Michael Raarup

Title: Senior Vice President

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[SIGNATURE PAGE 11 OF 27 TO THE CREDIT AGREEMENT]

**BNP PARIBAS**

By: /s/ Duane Helkowski

Name: Duane Helkowski

Title: Managing Director

and

By: /s/ Simone Vinocour

Name: Simone Vinocour

Title: Vice President

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**[SIGNATURE PAGE 12 OF 27 TO THE CREDIT AGREEMENT]**

**CALYON NEW YORK BRANCH**

By: /s/ Attila Coach

Name: Attila Coach

Title: Managing Director

and

By: /s/ James Gibson

Name: James Gibson

Title: Managing Director

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**[SIGNATURE PAGE 13 OF 27 TO THE CREDIT AGREEMENT]**

**COMERICA BANK**

By: /s/ Charles Weddell

Name: Charles Weddell

Title: Vice President

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**[SIGNATURE PAGE 14 OF 27 TO THE CREDIT AGREEMENT]**

**WASHINGTON MUTUAL BANK, FA**

By: /s/ Paul S. Ulrich

Name: Paul S. Ulrich

Title: Senior Vice President

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**[SIGNATURE PAGE 15 OF 27 TO THE CREDIT AGREEMENT]**

**EMIGRANT SAVINGS BANK**

By: /s/ Patricia Goldstein

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Name: Patricia Goldstein

Title: Senior Executive V.P. and  
Chief Credit Officer

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[SIGNATURE PAGE 16 OF 27 TO THE CREDIT AGREEMENT]

**NATIONAL CITY BANK**

By: /s/ Brian Gallagher

Name: Brian Gallagher

Title: Vice President

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[SIGNATURE PAGE 17 OF 27 TO THE CREDIT AGREEMENT]

**CITICORP NORTH AMERICA, INC.**

By: /s/ Jeanne M. Craig

Name: Jeanne M. Craig

Title: Vice President

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[SIGNATURE PAGE 18 OF 27 TO THE CREDIT AGREEMENT]

**SOVEREIGN BANK**

By: /s/ T. Gregory Donahue

Name: T. Gregory Donahue

Title: Senior Vice President

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[SIGNATURE PAGE 19 OF 27 TO THE CREDIT AGREEMENT]

**AMSOUTH BANK**

By: /s/ Ronny Hudspeth

Name: Ronny Hudspeth

Title: Senior Vice President

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[SIGNATURE PAGE 20 OF 27 TO THE CREDIT AGREEMENT]

**UNION BANK OF CALIFORNIA, N.A.**

By: /s/ Gary L. Roberts

Name: Gary L. Roberts

Title: Vice President

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[SIGNATURE PAGE 21 OF 27 TO THE CREDIT AGREEMENT]

**CREDIT SUISSE, CAYMAN ISLANDS  
BRANCH**

By: /s/ Bill O'Daly

Name: Bill O'Daly

Title: Director

By: /s/ Cassandra Droogan

Name: Cassandra Droogan

Title: Associate

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[SIGNATURE PAGE 22 OF 27 TO THE CREDIT AGREEMENT]

**UBS LOAN FINANCE LLC**

By: /s/ Wilfred V. Saun

Name: Wilfred V. Saun

Title: Director

By: /s/ Joselin Fernandes

Name: Joselin Fernandes

Title: Associate Director

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[SIGNATURE PAGE 23 OF 27 TO THE CREDIT AGREEMENT]

**LASALLE BANK NATIONAL  
ASSOCIATION**

By: /s/ Leticia Ruiz

Name: Leticia Ruiz

Title: Vice President

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[SIGNATURE PAGE 24 OF 27 TO THE CREDIT AGREEMENT]

**CITY NATIONAL BANK**

By: /s/ Mary Bowman

Name: Mary Bowman

Title: Senior Vice President

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[SIGNATURE PAGE 25 OF 27 TO THE CREDIT AGREEMENT]

By: /s/ Stephanie L. Lantz

Name: Stephanie L. Lantz

Title: Vice President

[SIGNATURE PAGE 26 OF 27 TO THE CREDIT AGREEMENT]

COMPASS BANK

By: /s/ Johanna Duke Paley

Name: Johanna Duke Paley

Title: Senior Vice President

[SIGNATURE PAGE 27 OF 27 TO THE CREDIT AGREEMENT]

ACCEPTED AND AGREED:

**HOVNANIAN ENTERPRISES, INC.**

as a Guarantor

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and  
Chief Financial Officer

SCHEDULE 1.1(A)(1)

PRICING GRID—  
VARIABLE PRICING AND FEES

(expressed in basis points)

The following Grid shall apply based on the rating of Hovnanian's senior unsecured long-term debt (i.e. based on whether the Investment Grade Period is in effect) and the Leverage Ratio.

| Level | Investment Grade Period | Leverage Ratio   | Commitment Fee (1) | Base Rate Spread | LIBO-Rate Spread |
|-------|-------------------------|--|--------------------|------------------|------------------|
|       | In effect               | Any Level  | 20                 | 0                | 100              |
| I     |                         | Less than or equal to 1.0 to 1.0                               | 20                 | 0                | 105              |
| II    |                         | Greater than 1.0 to 1.0 but less than or equal to 1.25 to 1.0  | 25                 | 0                | 125              |
| III   |                         | Greater than 1.0 to 1.25 but less than or equal to 1.75 to 1.0 | 25                 | 0                | 145              |
| IV    |                         | Greater than 1.75 to 1.0 but less or equal to 2.00             | 25                 | 0                | 170              |
| V     |                         | Greater than 2.0 to 1.0  | 30                 | 0                | 195              |

(1) The Commitment Fee set forth in the grid at each level shall be increased by 10 basis points for any calendar quarter if both (i) the Average Daily Usage Percentage in such quarter is less than 25%, and (ii) the Average Daily Usage Percentage in the immediately preceding calendar quarter was less than 25%.

For purposes of determining the Applicable Margin and the Applicable Commitment Fee Rate:

(a) The Applicable Margin and the Applicable Commitment Fee Rate shall be determined on the Closing Date based on the Leverage Ratio computed as of January 31, 2005 pursuant to a Compliance Certificate to be delivered on the Closing Date.

(b) The Applicable Margin and the Applicable Commitment Fee Rate shall be recomputed as of January 31, 2005 and the end of each subsequent fiscal quarter based on the Leverage Ratio as of such quarter end. Any increase or decrease in the Applicable Margin or the Applicable Commitment Fee Rate computed as of a quarter end shall be effective on the date on

(A) - 1

which the Compliance Certificate evidencing such computation is due to be delivered under Section 7.3.3, except that if the Applicable Margin and the Applicable Commitment Fee Rate change as a result of a change in the rating of Hovnanian's senior unsecured long-term debt, such change shall occur on the effective date of such change in the rating, provided that any reduction in the Applicable Margin and the Applicable Commitment Fee Rate resulting from a change in such rating shall not occur until the Borrower has notified the Agent of such change.

(A) - 2

**SCHEDULE 1.1(A)(2)  
AUTHORIZED OFFICERS AS OF THE CLOSING DATE**

J. Larry Sorsby, Executive Vice President and Chief Financial Officer

Peter Reinhart, Senior Vice President and General Counsel

Paul Buchanan, Senior Vice President and Corporate Controller

Kevin C. Hake, Senior Vice President and Treasurer

Brad O'Connor, Vice President and Associate Corporate Controller

Nancy Marrazzo, Assistant Vice President and Assistant Treasurer

(A) - 3

**SCHEDULE 1.1(B)  
COMMITMENTS OF LENDERS AND ADDRESSES FOR NOTICES  
(Amended and Restated June 14, 2005)**

**Part 1 – Addresses Commitments of Lenders and Addresses for Notices to Lenders**

| <u>Lender</u>  | <u>Amount of<br/>Commitment for<br/>Revolving<br/>Credit Loans</u> | <u>Ratable Share</u> |
|--|--|----------------------|
| <b>Lender Name (also Agent):</b><br>PNC Bank, National Association   | \$ 85,000,000  | 7.0833333%           |
| <b>Address for Notices:</b><br>Two Tower Center, 18 <sup>th</sup> Floor<br>E. Brunswick, NJ 08816<br>Attention: Douglas G. Paul<br>Telephone: (732) 220-3566<br>Telecopy: (732) 220-3744           |  |                      |
| <b>Address of Lending Office:</b><br>PNC Firstside Center<br>500 First Avenue, 4th Floor<br>Pittsburgh, PA 15219<br>Attention: Rini Davis<br>Telephone: (412) 762-7638<br>Telecopy: (412) 762-8672 |  |                      |
| <b>Lender Name:</b><br>Bank of America, N.A.   | \$ 85,000,000  | 7.0833333%           |
| <b>Address for Notices:</b><br>231 S. LaSalle Street<br>Mail Code IL 1-231-10-35<br>Chicago, IL 60697<br>Attention: Mark Lariviere<br>Telephone: (312) 828-2513                                    |  |                      |



Telecopy: (312) 974-4970

**Address of Lending Office:**

901 Main Street  
14th Floor  
Dallas, TX 75202  
Attention: Eldred Sholars  
Telephone: (214) 209-3044  
Telecopy: (214) 290-9429

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| <u>Lender</u> | <u>Amount of<br/>Commitment for<br/>Revolving<br/>Credit Loans</u> | <u>Ratable Share</u> |
|---------------|--|----------------------|
|---------------|--|----------------------|

**Lender Name:**

|                                     |               |             |
|-------------------------------------|---------------|-------------|
| Wachovia Bank, National Association | \$ 85,000,000 | 7.08333333% |
|-------------------------------------|---------------|-------------|

**Address for Notices:**

Commercial Real Estate Group  
2840 Morris Avenue; 3<sup>rd</sup> Floor  
Union, NJ 07083  
Attention: John Powers  
Telephone: (908) 624-2857  
Telecopy: (908) 624-2870

**Address of Lending Office:**

Commercial Real Estate Group  
2840 Morris Avenue; 3<sup>rd</sup> Floor  
Union, NJ 07083  
Attention: John Powers  
Telephone: (908) 624-2857  
Telecopy: (908) 624-2870

**Lender Name:**

|                           |               |             |
|---------------------------|---------------|-------------|
| JPMorgan Chase Bank, N.A. | \$ 82,000,000 | 6.83333333% |
|---------------------------|---------------|-------------|

**Address for Notices:**

131 South Dearborn, Floor 5  
Chicago, IL 60603  
Attention: Kenneth Nelson  
Telephone: (312) 325-3129  
Telecopy: (312) 325-3122

**Address of Lending Office:**

131 South Dearborn, Floor 5  
Chicago, IL 60603  
Attention: Josh Barcelona  
Telephone: (312) 385-7015  
Telecopy: (312) 385-7101

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| <u>Lender</u> | <u>Amount of<br/>Commitment for<br/>Revolving<br/>Credit Loans</u> | <u>Ratable Share</u> |
|---------------|--|----------------------|
|---------------|--|----------------------|

**Lender Name:**

|                                |               |             |
|--------------------------------|---------------|-------------|
| The Royal Bank of Scotland plc | \$ 82,000,000 | 6.83333333% |
|--------------------------------|---------------|-------------|

**Address for Notices:**

101 Park Avenue, 12<sup>th</sup> Floor  
New York, New York 10178  
Attention: David Apps  
Telephone: (212) 401-3745  
Telecopy: (212) 401-3456

**Address of Lending Office:**

101 Park Avenue, 12<sup>th</sup> Floor  
New York, New York 10178  
Attention: Caroline Cancel  
Telephone: (212) 401-1407  
Telecopy: (212) 401-1494

**Lender Name:**  
 KeyBank National Association \$ 73,000,000 6.08333333%  
**Address for Notices**  
 1200 Abernathy Road, Suite 1550  
 Atlanta, GA 30328  
 Attention: Jeff V. Aycock  
 Telephone: (770) 510-2105  
 Telecopy: (770) 510-2195

**Address of Lending Office:**  
 KeyBank Real Estate Capital  
 1200 Abernathy Road, Suite 1550  
 Atlanta, GA 30328  
 Attention: Jacky Krieger  
 Telephone: (770) 510-2109  
 Telecopy: (770) 510-2197

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| Lender   | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--|--|---------------|
| <b>Lender Name:</b><br>Guaranty Bank \$ 57,000,000 4.75000000%<br><b>Address for Notices:</b><br>8333 Douglas Avenue<br>Dallas, Texas 75225<br>Attention: Randall S. Reid<br>Telephone: (214) 360-2735<br>Telecopy: (214) 360-4892 |  |               |

**Address of Lending Office:**  
 8333 Douglas Avenue  
 Dallas, Texas 75225  
 Attention: Jill Fallows  
 Telephone: (214) 360-1681  
 Telecopy: (214) 360-1661

|  |  |  |
|--|--|--|
| <b>Lender Name:</b><br>SunTrust Bank \$ 50,000,000 4.16666666%<br><b>Address for Notices:</b><br>8245 Boone Boulevard<br>Suite 820<br>Vienna, VA 22182<br>Attention: John Wendler<br>Telephone: (703) 442-1563<br>Telecopy: (703) 442-1570 |  |  |
|--|--|--|

**Address of Lending Office:**  
 10710 Midlothian Turnpike,  
 Richmond, VA 23235  
 Attn: DeCar Jeter  
 Telephone: 804-594-1072  
 Telecopy: 804-594-1139

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| Lender  | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|---|--|---------------|
| <b>Lender Name:</b><br>U.S. Bank National Association \$ 50,000,000 4.16666666%<br><b>Address for Notices:</b><br>US Bancorp Commercial Real Estate<br>800 Nicollet Mall, 3rd Floor<br>Minneapolis, MN 55402-7020<br>Attention: Leslie Lynch<br>Telephone: (612) 303-3595<br>Telecopy: (612) 303-2270 |  |               |

**Address of Lending Office:**

U.S. Bank National Association  
 800 Nicollet Mall  
 Minneapolis, MN 55402

Attention: Michael Raarup  
 Telephone: (612) 303-3586  
 Telecopy: (612) 303-2270

**Lender Name:**

BNP PARIBAS \$ 47,000,000 3.9166666%

**Address for Notices:**

787 Seventh Avenue  
 New York, NY 10019

Attention: Duane Helkowski  
 Telephone: (212) 841-2940  
 Telecopy: (212) 841-3830

**Address of Lending Office:**

787 Seventh Avenue  
 New York, NY 10019

Attention: Duane Helkowski  
 Telephone: (212) 841-2940  
 Telecopy: (212) 841-3830

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| Lender | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--------|--|---------------|
|--------|--|---------------|

**Lender Name:**

CALYON New York Branch \$ 47,000,000 3.9166666%

**Address for Notices:**

2200 Ross Avenue, Suite 4400  
 West  
 Dallas, TX 75201

Attention: Robert Smith  
 Telephone: (214) 220-2311  
 Telecopy: (214) 220-2323

**Address of Lending Office:**

1301 Avenue of the Americas  
 New York NY 10019

Attention: George Lewis  
 Telephone: (212) 261-7641  
 Telecopy: (212) 261-7696

**Lender Name:**

Comerica Bank \$ 47,000,000 3.9166666%

**Address for Notices:**

500 Woodward Avenue  
 MC 3256  
 Detroit, MI 48226

Attention: Charles Weddell  
 Telephone: (313) 222-3323  
 Telecopy: (313) 222-9295

**Address of Lending Office:**

500 Woodward Avenue  
 MC 3256  
 Detroit, MI 48226

Attention: Keshia Boone  
 Telephone: (313) 222-9284  
 Telecopy: (313) 222-9295

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| Lender | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--------|--|---------------|
|--------|--|---------------|

**Lender Name:**

Washington Mutual Bank, FA \$ 45,000,000 3.7500000%

**Address for Notices:**  
 620 W. Germantown Pike  
 Plymouth Meeting, PA 19462  
 Attention: Paul Ulrich  
 Telephone: (610) 238-6929  
 Telecopy: (610) 828-7293

**Lender Name:**  
 Emigrant Savings Bank \$ 42,000,000 3.5000000%

**Address for Notices:**  
 335 Madison Avenue, Floor 15  
 New York, NY 10017  
 Attention: Tom Devine  
 Telephone: (212) 850-4827  
 Telecopy: (212) 850-4608

**Address of Lending Office:**  
 5 East Forty-Second Street  
 6th Floor  
 New York, NY 10017  
 Attention: Rosemary Granza  
 Telephone: (212) 850-4608  
 Telecopy: (212) 850-4811

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| Lender | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--------|--|---------------|
|--------|--|---------------|

**Lender Name:**  
 Citicorp North America, Inc. \$ 42,000,000 3.5000000%

**Address for Notices:**  
 390 Greenwich Street  
 New York, NY 10013  
 Attention: Thomas Flanagan  
 Telephone: (212) 723-6927  
 Telecopy: (646) 862-8866

**Address of Lending Office:**  
 Two Penn's Way  
 First Floor  
 New Castle, DE 19720  
 Attention: Lenora Durant  
 Telephone: (302) 894-6062  
 Telecopy: (212) 994-0849

**Lender Name:**  
 National City Bank \$ 38,000,000 3.1666666%

**Address for Notices:**  
 One South Broad Street  
 13th Floor  
 Philadelphia, PA 19107  
 Attention: Brian Gallagher  
 Telephone: (267) 256-4088  
 Telecopy: (267) 256-4001

**Address of Lending Office:**  
 One South Broad Street, 13th Floor  
 Philadelphia, PA 19107  
 Attention: Marie Pascale  
 Telephone: (267) 256-4042  
 Telecopy: (267) 256-4001

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| Lender | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--------|--|---------------|
|--------|--|---------------|

**Lender Name:**

Sovereign Bank \$ 33,000,000 2.7500000%

**Address for Notices:**  
 75 State Street  
 Mail Code MA1 SST 04-11  
 Boston, MA 02109  
 Attention: Erin Aslakson  
 Telephone: (617) 757-5564  
 Telecopy: (617) 757-5652

**Lender Name:**  
 AmSouth Bank \$ 30,000,000 2.5000000%

**Address for Notices:**  
 1900 5th Avenue North  
 Birmingham, AL 35203  
 Attention: Ronny Hudspeth  
 Telephone: (205) 307-4227  
 Telecopy: (205) 801-0138

**Address of Lending Office:**  
 1900 5th Avenue North  
 Birmingham, AL 35203  
 Attention: Ronny Hudspeth  
 Telephone: (205) 307-4227  
 Telecopy: (205) 801-0138

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| Lender  | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|---|--|---------------|
| <b>Lender Name:</b><br>Union Bank of California, N.A.<br><b>Address for Notices:</b><br>350 California Street, 7th Floor<br>San Francisco, CA 94104<br>Attention: Gary Roberts<br>Telephone: (415) 705-5035<br>Telecopy: (415) 433-7438 | \$ 30,000,000  | 2.5000000%    |

**Address of Lending Office:**  
 350 California Street, 7th Floor  
 San Francisco, CA 94104  
 Attention: Gary Roberts  
 Telephone: (415) 705-5035  
 Telecopy: (415) 433-7438

|  |               |            |
|--|---------------|------------|
| <b>Lender Name:</b><br>Credit Suisse, Cayman Islands Branch<br><b>Address for Notices:</b><br>Eleven Madison Avenue<br>New York, NY 10010<br>Attention: Williams O'Daly<br>Telephone: (212) 325-1986<br>Telecopy: (212) 743-2254 | \$ 30,000,000 | 2.5000000% |
|--|---------------|------------|

**Address of Lending Office:**  
 One Madison Avenue  
 New York, NY 10010  
 Attention: Ed Markowski  
 Telephone: (212) 538-3380  
 Telecopy: (212) 325-9049

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| Lender   | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--|--|---------------|
| <b>Lender Name:</b><br>UBS Loan Finance LLC<br><b>Address for Notices:</b> | \$ 30,000,000  | 2.5000000%    |

UBS AG, Stamford Branch  
677 Washington Blvd., 6-South  
Stamford, CT 06901  
Attention: Wilfred Saint  
Telephone: (203) 719-4330  
Telecopy: (203) 719-3888

**Address of Lending Office:**

UBS AG, Stamford Branch  
677 Washington Blvd., 6-South  
Stamford, CT 06901  
Attention: Anthony Finocchi  
Telephone: (203) 719-3377  
Telecopy: (203) 719-3888

**Lender Name:**

|                                   |    |            |             |
|-----------------------------------|----|------------|-------------|
| LaSalle Bank National Association | \$ | 25,000,000 | 2.08333333% |
|-----------------------------------|----|------------|-------------|

**Address for Notices:**

610 Newport Center Drive  
Suite 660  
Newport Beach, CA 92660  
Attention: Leticia Ruiz  
Telephone: (949) 219-8968  
Telecopy: (949) 219-8977

**Address of Lending Office:**

135 South LaSalle  
Chicago, IL 60603  
Attention: Gloria Favela  
Telephone: (312) 904-5417  
Telecopy: (312) 904-6691

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| <u>Lender</u> | <u>Amount of<br/>Commitment for<br/>Revolving<br/>Credit Loans</u> | <u>Ratable Share</u> |
|---------------|--|----------------------|
|---------------|--|----------------------|

**Lender Name:**

|                    |    |            |             |
|--------------------|----|------------|-------------|
| City National Bank | \$ | 25,000,000 | 2.08333333% |
|--------------------|----|------------|-------------|

**Address for Notices:**

2001 No. Main Street, Suite 200  
Walnut Creek, CA 94596  
Attention: Mary Bowman  
Telephone: (925) 274-2793  
Telecopy: (925) 274-2758

**Address of Lending Office:**

9701 Wilshire Boulevard  
Suite 600  
Beverly Hills, CA 90212  
Attention: Laurel Burns  
Telephone: (310) 888-6484  
Telecopy: (310) 888-6493

**Lender Name:**

|                         |    |            |             |
|-------------------------|----|------------|-------------|
| California Bank & Trust | \$ | 20,000,000 | 1.66666666% |
|-------------------------|----|------------|-------------|

**Address for Notices:**

2929 N. Central Avenue  
Suite 1200  
Phoenix, AZ 85012  
Attention: Stephanie L. Lanty  
Telephone: (602) 241-2227  
Telecopy: (602) 230-1345

**Address of Lending Office:**

2929 N. Central Avenue  
Suite 1200  
Phoenix, AZ 85012  
Attention: Stephanie L. Lanty  
Telephone: (602) 241-2227  
Telecopy: (602) 230-1345

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| Lender                                       | Amount of<br>Commitment for<br>Revolving<br>Credit Loans | Ratable Share |
|--|--|---------------|
| <b>Lender Name:</b>                          |  |               |
| Compass Bank                                 | \$ 20,000,000  | 1.6666666%    |
| <b>Address for Notices:</b>                  |  |               |
| 15 South 20th Street<br>Birmingham, AL 35233 |  |               |
| Attention:                                   | Johanna Duke Paley                                       |               |
| Telephone:                                   | (205) 297-3851   |               |
| Telecopy:                                    | (205) 297-7994   |               |
| <b>Address of Lending Office:</b>            |  |               |
| 15 South 20th Street<br>Birmingham, AL 35233 |  |               |
| Attention:                                   | Johanna Duke Paley                                       |               |
| Telephone:                                   | (205) 297-3851   |               |
| Telecopy:                                    | (205) 297-7994   |               |
| <b>Total</b>                                 | <b>\$ 1,200,000,000</b>                                  | <b>100%</b>   |

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**AGENT**

Name: Douglas G. Paul, Senior Vice President  
Address: PNC Bank, National Association  
Two Tower Center, 18<sup>th</sup> Floor  
East Brunswick, New Jersey 08816  
Telephone: (732) 220-3566  
Telecopy: (732) 220-3744

**BORROWER:**

Name: K. HOVNANIAN ENTERPRISES, INC.  
Address: 10 Route 35, P.O. Box 500  
Red Bank, NJ 07701  
Attention: Kevin C. Hake  
Telephone: (732) 747-7800  
Telecopy: (732) 747-6835

**GUARANTORS:**

Name: [name of Guarantor]  
Address: c/o K. Hovnanian Enterprises, Inc.  
10 Route 35, P.O. Box 500  
Red Bank, NJ 07701  
Attention: Kevin C. Hake  
Telephone: (732) 747-7800  
Telecopy: (732) 747-6835

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**SCHEDULE 1.1(C)  
LISTING OF RESTRICTED SUBSIDIARIES, JOINT VENTURES,  
MORTGAGE SUBSIDIARIES AND NON-RESTRICTED PERSONS**

See Schedule 5.1.2.

**SCHEDULE 1.1(E)  
INCOME PRODUCING PROPERTIES**

1. 96 unit rental property located at Ocean, New Jersey, know as Whalepond Village.
2. 75 unit rental property located at Mahwah, New Jersey, know as Norfolk Village.

**SCHEDULE 1.1(P)  
PERMITTED LIENS**

None.

**Schedule 2.9.1**

**6/20/2005**

**K. HOVNANIAN ENTERPRISES  
LETTERS OF CREDIT  
AS OF 06/14/04**

| <b>Perf.or<br/>Financial</b> | <b>LC No.</b> | <b>BENEFICIARY</b>                 | <b>CURRENT<br/>AMOUNT</b> | <b>DATE<br/>ISSUED</b> | <b>EXPIRY<br/>DATE</b> |
|------------------------------|---------------|------------------------------------|---------------------------|------------------------|------------------------|
| Fin.                         | 201811        | Reliance Insurance Co.             | \$ 121,771.00             | 2/7/1995               | 12/31/2005             |
| Perf.                        | 201812        | Township of Upper Makefield        | \$ 100,000.00             | 3/1/1995               | 3/1/2006               |
| Fin.                         | 201813        | Township of Upper Makefield        | \$ 169,391.63             | 3/2/1995               | 3/2/2006               |
| Fin.                         | 201814        | Upper Makefield Township           | \$ 29,341.00              | 4/17/1997              | 4/17/2006              |
| Perf.                        | 201819        | Upper Makefield Township           | \$ 149,560.00             | 4/17/1997              | 4/17/2006              |
| Perf.                        | 201820        | Township of Mahwah                 | \$ 30,000.00              | 12/17/1996             | 12/17/2005             |
| Perf.                        | 201821        | Township of East Brunswick         | \$ 9,201.72               | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201822        | Township of East Brunswick         | \$ 19,304.24              | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201823        | Township of East Brunswick         | \$ 8,164.80               | 10/29/1996             | 10/28/2005             |
| Perf.                        | 201824        | Township of East Brunswick         | \$ 10,292.50              | 10/29/1996             | 10/28/2005             |
| Perf.                        | 201828        | Township of East Brunswick         | \$ 7,678.08               | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201829        | Township of East Brunswick         | \$ 30,029.51              | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201830        | Township of East Brunswick         | \$ 84,329.06              | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201831        | Township of East Brunswick         | \$ 6,300.00               | 6/19/1996              | 6/17/2006              |
| Perf.                        | 201832        | Township of East Brunswick         | \$ 6,283.49               | 10/29/1996             | 10/28/2005             |
| Perf.                        | 201833        | Township of East Brunswick         | \$ 24,448.34              | 10/29/1996             | 10/28/2005             |
| Perf.                        | 204048        | Orloff, Lowenbach, Stifelman, etc. | \$ 375,000.00             | 10/28/1997             | 10/28/2005             |
| Perf.                        | 207799        | Upper Makefield Township           | \$ 90,728.04              | 4/22/1998              | 4/22/2006              |
| Perf.                        | 208660        | Harvard Industries, Inc.           | \$ 75,000.00              | 6/16/1998              | 6/16/2006              |
| Perf.                        | 217502        | Township of Lawrence               | \$ 121,756.08             | 4/23/1999              | 4/26/2006              |
| Perf.                        | 217533        | Township of Lawrence               | \$ 19,342.69              | 4/23/1999              | 4/26/2006              |
| Perf.                        | 217536        | Township of Lawrence               | \$ 2,820.51               | 4/23/1999              | 4/26/2006              |
| Perf.                        | 225922        | Township of Lawrence               | \$ 20,841.11              | 1/21/2000              | 1/21/2006              |
| Perf.                        | 225923        | Township of Lawrence               | \$ 162,164.76             | 1/21/2000              | 1/21/2006              |
| Perf.                        | 229543        | Summit Ventures LLC                | \$ 100,000.00             | 5/25/2000              | 5/25/2006              |
| Fin.                         | 236140        | National Union Fire Ins. (etc)     | \$ 500,000.00             | 1/10/2001              | 10/31/2005             |
| Perf.                        | 238446        | Lower Moreland Township            | \$ 319,184.66             | 5/11/2001              | 5/15/2006              |
| Perf.                        | 241202        | Delaware Valley Tennis Club        | \$ 250,000.00             | 7/24/2001              | 7/24/2006              |
| Fin.                         | 243450        | Steadfast Insurance Co.            | \$ 500,000.00             | 11/30/2001             | 10/31/2005             |
| Fin.                         | 243452        | Zurich American Insurance Co.      | \$ 700,000.00             | 11/30/2001             | 10/31/2005             |
| Perf.                        | 244047        | Hackettstown Municipal Utilities   | \$ 87,039.00              | 12/12/2001             | 12/12/2005             |
| Perf.                        | 244279        | Martin M. & Rachel Weaver          | \$ 50,000.00              | 12/18/2001             | 1/15/2006              |
| Perf.                        | 247101        | Essex County Improvement Auth.     | \$ 1,851,212.00           | 4/23/2002              | 4/23/2006              |
| Perf.                        | 250326        | Lower Moreland Township            | \$ 615,279.14             | 9/18/2002              | 9/18/2005              |
| Perf.                        | 250328        | Hackettstown Municipal Utilities   | \$ 231,340.50             | 7/16/2002              | 7/16/2006              |
| Perf.                        | 250329        | Hackettstown Municipal Utilities   | \$ 108,246.75             | 7/16/2002              | 7/16/2006              |
| Perf.                        | 251552        | Jaindl Land Co.                    | \$ 580,000.00             | 8/26/2002              | 7/29/2005              |
| Perf.                        | 251774        | DHF Inc                            | \$ 100,000.00             | 9/16/2002              | 1/15/2006              |
| Perf.                        | 251992        | Commonwealth of Pennsylvania       | \$ 427,581.70             | 9/12/2002              | 9/12/2005              |
| Perf.                        | 252499        | Lower Moreland Township            | \$ 28,844.75              | 9/30/2002              | 9/18/2005              |
| Perf.                        | 252579        | Northampton, Bucks County          | \$ 1,197,443.46           | 10/3/2002              | 11/12/2005             |
| Fin.                         | 252773        | Travelers Indemnity Company        | \$ 1,162,000.00           | 10/11/2002             | 10/11/2005             |
| Perf.                        | 253440        | Township of Cedar Grove            | \$ 419,865.41             | 11/18/2002             | 11/18/2005             |
| Perf.                        | 253721        | Township of Northampton            | \$ 2,242,459.29           | 11/19/2002             | 11/20/2005             |
| Perf.                        | 254272        | City of Clifton                    | \$ 87,288.42              | 12/12/2002             | 12/12/2005             |
| Perf.                        | 255203        | South Knolls LLC                   | \$ 2,200,000.00           | 2/11/2003              | 2/11/2006              |
| Perf.                        | 255313        | Karr Associates                    | \$ 300,000.00             | 2/4/2003               | 2/4/2006               |
| Perf.                        | 255567        | Berkeley Twp.                      | \$ 144,787.32             | 2/24/2003              | 2/20/2006              |
| Perf.                        | 255770        | Berkeley Twp.                      | \$ 32,454.00              | 2/25/2003              | 2/25/2006              |
| Perf.                        | 255771        | Berkeley Twp.                      | \$ 134,108.47             | 2/25/2003              | 2/25/2006              |
| Perf.                        | 255772        | Berkeley Twp.                      | \$ 136,323.00             | 2/25/2003              | 2/25/2006              |
| Perf.                        | 255962        | K. G. Harriman Glen, LLC           | \$ 543,750.00             | 3/17/2003              | 10/1/2005              |
| Perf.                        | 256808        | Lower Macungie Township            | \$ 473,716.69             | 4/22/2003              | 4/22/2006              |
| Perf.                        | 257242        | Jaindl Land Co.                    | \$ 1,033,879.65           | 5/6/2003               | 12/23/2005             |
| Perf.                        | 257243        | Jaindl Land Co.                    | \$ 201,750.00             | 5/6/2003               | 6/23/2006              |
| Perf.                        | 257975        | Roseland/Port Imperial Partners    | \$ 3,500,000.00           | 6/9/2003               | 6/9/2006               |
| Perf.                        | 258407        | Town of Monroe                     | \$ 4,223,275.00           | 6/23/2003              | 6/23/2006              |
| Perf.                        | 258408        | Town of Monroe                     | \$ 346,500.00             | 6/23/2003              | 6/23/2006              |



|       |        |                         |    |              |            |           |
|-------|--------|-------------------------|----|--------------|------------|-----------|
| Perf. | 258679 | Jaindl Land Co.         | \$ | 99,000.00    | 7/7/2003   | 7/7/2006  |
| Perf. | 259021 | Coastal Banc SSB        | \$ | 1,500,000.00 | 7/17/2003  | 7/17/2005 |
| Perf. | 259320 | Lehigh County Authority | \$ | 20,385.00    | 7/30/2003  | 7/30/2005 |
| Perf. | 259796 | Wynmere Hunt Associates | \$ | 250,000.00   | 8/11/2003  | 8/11/2005 |
| Perf. | 260981 | DHF Inc.                | \$ | 400,000.00   | 10/1/2003  | 10/2/2005 |
| Perf. | 261399 | Penny Plate Inc.        | \$ | 450,000.00   | 11/19/2003 | 7/29/2006 |
| Perf. | 261489 | Four Mile Branch Assoc. | \$ | 275,000.00   | 12/8/2003  | 12/8/2005 |
| Perf. | 261841 | Town of Monroe          | \$ | 300,000.00   | 11/7/2003  | 1/1/2006  |

|       |          |                                     |    |               |            |            |
|-------|----------|-------------------------------------|----|---------------|------------|------------|
| Perf. | 261918   | RTKL New Jersey Architects          | \$ | 150,000.00    | 1/2/2004   | 1/2/2006   |
| Perf. | 262327   | GBF/LIC 288, Ltd.                   | \$ | 1,710,650.48  | 12/3/2003  | 12/1/2005  |
| Perf. | 263726   | Northampton Township                | \$ | 40,000.00     | 1/28/2004  | 7/31/2005  |
| Perf. | 264657   | Millville Manor LLC                 | \$ | 200,000.00    | 3/4/2004   | 3/4/2006   |
| Perf. | 265174   | American Properties at Chesterfield | \$ | 3,000,000.00  | 3/26/2004  | 3/26/2006  |
| Perf. | 266395   | Hearthstone Multi-Asset             | \$ | 12,956,880.00 | 5/13/2004  | 5/13/2006  |
| Perf. | 18100073 | Harry Stanley Pozycycki LLC         | \$ | 4,873,066.88  | 5/25/2004  | 3/31/2006  |
| Perf. | 18100182 | 260 Huffman LLC                     | \$ | 1,495,000.00  | 6/16/2004  | 6/16/2005  |
| Perf. | 18100252 | Pinchus-Kiejdan Marital Trust B     | \$ | 720,000.00    | 10/4/2004  | 10/4/2006  |
| Perf. | 18100404 | Genco Homes-Millville LLC           | \$ | 115,000.00    | 8/13/2004  | 8/13/2006  |
| Perf. | 18100405 | Genco Homes-Parvins Mill LLC        | \$ | 135,000.00    | 8/13/2004  | 8/13/2006  |
| Perf. | 18100460 | General Electric Capital Business   | \$ | 25,000,000.00 | 9/10/2004  | 3/31/2006  |
| Perf. | 18100469 | GBF/LIC 288, Ltd.                   | \$ | 1,367,315.07  | 8/25/2004  | 8/25/2005  |
| Perf. | 18100595 | Camden County Improvement Auth      | \$ | 250,000.00    | 10/19/2004 | 1/19/2006  |
| Perf. | 18100741 | Natomas Investors                   | \$ | 23,570,562.00 | 12/15/2004 | 12/16/2005 |
| Perf. | 18100757 | GBF/LIC 288, Ltd.                   | \$ | 2,140,776.44  | 11/5/2004  | 11/5/2005  |
| Perf. | 18100885 | Ramapo Land Co.                     | \$ | 1,000,000.00  | 1/3/2005   | 11/30/2006 |
| Perf. | 18100946 | James Yeager & Judith Parfitt       | \$ | 150,000.00    | 12/27/2004 | 12/27/2006 |
| Perf. | 18100958 | Johnson and Berman Attys            | \$ | 1,600,000.00  | 12/17/2004 | 12/17/2005 |
| Perf. | 18101001 | Lower Macungie Township             | \$ | 1,239,746.66  | 1/10/2005  | 1/10/2006  |
| Perf. | 18101063 | Flaster Greenberg PC Trust          | \$ | 4,000,000.00  | 1/13/2005  | 1/13/2006  |
| Perf. | 18101083 | Edgewater Enterprises LLC           | \$ | 1,000,000.00  | 1/19/2005  | 11/1/2005  |
| Perf. | 18101103 | James Holland, Esq. Escrow Agt      | \$ | 500,000.00    | 1/28/2005  | 1/28/2006  |
| Perf. | 18101134 | Township of Rapho                   | \$ | 1,061,118.00  | 1/31/2005  | 1/31/2006  |
| Perf. | 18101135 | Mt. Joy Properites Inc.             | \$ | 587,749.80    | 2/3/2005   | 2/3/2007   |
| Perf. | 18101162 | Flynn Tucker LLC                    | \$ | 300,000.00    | 2/3/2005   | 2/3/2007   |
| Perf. | 18101174 | Roseland/Port Imperial Partners     | \$ | 20,880,000.00 | 2/8/2005   | 2/8/2006   |
| Perf. | 18101175 | Roseland/Port Imperial Partners     | \$ | 5,000,000.00  | 2/8/2005   | 2/8/2006   |
| Perf. | 18101323 | Lehigh County Authority             | \$ | 155,760.00    | 3/23/2005  | 3/23/2006  |
| Perf. | 18101326 | Offshore Holdings LLC               | \$ | 100,000.00    | 4/15/2005  | 6/15/2008  |
| Perf. | 18101437 | Woodward Farms LLC                  | \$ | 350,000.00    | 4/27/2005  | 4/27/2007  |
| Perf. | 18101458 | Texas State Bank                    | \$ | 750,000.00    | 5/10/2005  | 7/29/2008  |
| Perf. | 18101626 | Borough of West Paterson            | \$ | 152,283.00    | 5/13/2005  | 5/13/2006  |
| Perf. | 18101627 | City of Clifton                     | \$ | 253,404.00    | 5/13/2005  | 5/13/2006  |
| Perf. | 18101628 | Borough of West Paterson            | \$ | 505,495.00    | 5/13/2005  | 5/13/2006  |
| Perf. | 18101647 | Univest National Bank & Trust       | \$ | 80,000.00     | 5/12/2005  | 7/12/2005  |
| Perf. | 18101701 | The Landings at Barnegat Inc.       | \$ | 1,000,000.00  | 5/23/2005  | 11/20/2005 |

|       |          |                        |           |                       |           |           |
|-------|----------|------------------------|-----------|-----------------------|-----------|-----------|
| Perf. | 18101730 | 1401 Tower Partners LP | \$        | 1,100,000.00          | 5/27/2005 | 5/27/2007 |
| Perf. | 18101733 | K & M Associates Inc.  | \$        | 665,000.00            | 5/31/2005 | 5/31/2007 |
| Perf. | 18101734 | Costa Homes Inc.       | \$        | 150,000.00            | 5/31/2005 | 5/31/2007 |
|       |          | <b>PNC - TOTAL</b>     | <b>\$</b> | <b>150,101,270.10</b> |           |           |

|       |         |                                     |    |              |           |            |
|-------|---------|-------------------------------------|----|--------------|-----------|------------|
| Perf. | 088742  | Bd of Cty Spv. Prince WM Cty.       | \$ | 57,016.13    | 2/3/1994  | 8/7/2005   |
| Perf. | 940740  | Brd of Cty Supervrs.of Prc. William | \$ | 40,585.50    | 6/26/1998 | 6/26/2005  |
| Perf. | 941035  | Staffordcounty board of supervisors | \$ | 68,702.93    | 10/9/1998 | 10/1/2005  |
| Perf. | 3047004 | Bd.of Cty Comm. Hillsborough Cty    | \$ | 3,500.00     | 3/13/2002 | 6/14/2005  |
| Perf. | 3047138 | Bd.of Cty Comm. Hillsborough Cty    | \$ | 101,841.42   | 3/19/2002 | 11/14/2005 |
| Perf. | 3047140 | Bd.of Cty Comm. Hillsborough Cty    | \$ | 11,500.00    | 3/19/2002 | 6/14/2005  |
| Perf. | 3048083 | Bd.of Cty Comm. Hillsborough Cty    | \$ | 49,803.31    | 4/11/2002 | 12/14/2005 |
| Fin.  | 3064476 | The Fleming Family Ltd. Partnership | \$ | 1,617,000.00 | 7/28/2004 | 12/31/2005 |
| Perf. | 3064488 | Board of Cty Spv Prince William Cty | \$ | 543,173.19   | 7/20/2004 | 7/21/2006  |
| Fin.  | 3064693 | The Fleming Family Ltd. Partnership | \$ | 1,499,000.00 | 8/5/2004  | 12/31/2005 |
| Fin.  | 3064694 | The Fleming Family Ltd. Partnership | \$ | 994,000.00   | 8/5/2004  | 12/31/2005 |
| Fin.  | 3064695 | The Fleming Family Ltd. Partnership | \$ | 783,000.00   | 8/5/2004  | 12/31/2005 |
| Fin.  | 3064696 | The Fleming Family Ltd. Partnership | \$ | 707,000.00   | 8/5/2004  | 12/31/2005 |
| Perf. | 3064720 | Bd of Supervisors of Prince Wm.Cty. | \$ | 309,171.75   | 8/3/2004  | 1/26/2006  |
| Fin.  | 3064759 | Rainbow Municipal Water District    | \$ | 406,972.00   | 8/3/2004  | 12/31/2005 |
| Perf. | 3064760 | Dept. of Public Works               | \$ | 65,850.00    | 8/3/2004  | 12/31/2005 |
| Perf. | 3064761 | Dept. of Public Works               | \$ | 19,600.00    | 8/3/2004  | 12/31/2005 |
| Fin.  | 3064776 | The Fleming Family Ltd. Partnership | \$ | 35,000.00    | 8/4/2004  | 12/31/2005 |

|       |         |                                      |    |            |           |            |
|-------|---------|--------------------------------------|----|------------|-----------|------------|
| Fin.  | 3064777 | The Fleming Family Ltd. Partnership  | \$ | 50,000.00  | 8/4/2005  | 12/31/2005 |
| Fin.  | 3064778 | The Fleming Family Ltd. Partnership  | \$ | 75,000.00  | 8/4/2004  | 12/31/2005 |
| Fin.  | 3064779 | The Fleming Family Ltd. Partnership  | \$ | 81,000.00  | 8/4/2004  | 12/31/2005 |
| Fin.  | 3064780 | The Fleming Family Ltd. Partnership  | \$ | 39,000.00  | 8/4/2004  | 12/31/2005 |
| Fin.  | 3064807 | Young Conway Stargatt & Taylor LLP   | \$ | 250,000.00 | 8/4/2004  | 8/4/2005   |
| Perf. | 3064943 | Stafford County Board of Supervisors | \$ | 17,425.00  | 8/12/2004 | 8/12/2006  |
| Perf. | 3064954 | Burgess & Comm.of Walkersville       | \$ | 805,456.00 | 8/12/2004 | 8/12/2005  |
| Perf. | 3064990 | Egypt Road LLC                       | \$ | 935,819.00 | 9/22/2004 | 9/22/2005  |
| Perf. | 3065049 | Baltimore County, MD                 | \$ | 229,799.00 | 9/8/2004  | 9/8/2005   |
| Perf. | 3065050 | Baltimore County, MD                 | \$ | 211,585.00 | 9/8/2004  | 9/8/2005   |
| Perf. | 3065079 | Town of Cary                         | \$ | 179,266.00 | 8/20/2004 | 8/31/2005  |
| Perf. | 3065080 | Town of Cary                         | \$ | 99,470.00  | 8/20/2004 | 8/31/2005  |
| Perf. | 3065081 | Town of Cary                         | \$ | 73,537.58  | 8/20/2004 | 8/31/2005  |
| Perf. | 3065206 | New Homebuyers Title Company         | \$ | 14,000.00  | 8/26/2004 | 8/26/2005  |

|       |         |                                     |    |              |            |            |
|-------|---------|-------------------------------------|----|--------------|------------|------------|
| Fin.  | 3065222 | U.S. Bank National Assoc.           | \$ | 546,376.00   | 9/17/2004  | 9/17/2006  |
| Perf. | 3065427 | Brazos River North South Ltd.       | \$ | 130,000.00   | 9/14/2004  | 9/14/2005  |
| Perf. | 3065512 | Cottontree Ltd.                     | \$ | 500,000.00   | 9/17/2004  | 9/17/2005  |
| Perf. | 3065597 | W/J Moore Farm Project Co. LP       | \$ | 308,000.00   | 9/30/2004  | 9/30/2006  |
| Fin.  | 3065629 | Gaslamp Phase Two LLC               | \$ | 3,000,000.00 | 9/16/2004  | 9/1/2006   |
| Fin.  | 3065758 | Lunsford Road Partners Ltd.         | \$ | 579,600.00   | 9/28/2004  | 9/28/2006  |
| Fin.  | 3065802 | Springville Properties Inc.         | \$ | 366,973.00   | 9/27/2004  | 9/30/2005  |
| Perf. | 3065905 | Board of Cty Spv Prince William Cty | \$ | 312,557.45   | 10/5/2004  | 10/5/2005  |
| Perf. | 3065998 | Board of Cty Spv Prince William Cty | \$ | 376,744.26   | 10/8/2004  | 10/8/2005  |
| Fin.  | 3066036 | Sandler at Olde Stage LLC           | \$ | 400,000.00   | 10/12/2004 | 1/31/2006  |
| Fin.  | 3066070 | Attman Real Estate Co.              | \$ | 150,000.00   | 10/13/2004 | 10/13/2005 |
| Fin.  | 3066375 | Towne Lake LP                       | \$ | 100,000.00   | 10/28/2004 | 10/28/2005 |
| Perf. | 3066428 | Stafford Cty. Board of Supervisors  | \$ | 1,947,686.00 | 11/2/2004  | 11/2/2005  |
| Perf. | 3071551 | Board of Cty Spv Prince William Cty | \$ | 289,702.00   | 11/9/2004  | 11/9/2006  |
| Perf. | 3071552 | Board of Cty Spv Prince William Cty | \$ | 282,175.00   | 11/9/2004  | 11/9/2006  |
| Fin.  | 3071572 | The Fleming Family Ltd. Partnership | \$ | 35,000.00    | 11/8/2004  | 12/31/2005 |
| Fin.  | 3071573 | The Fleming Family Ltd. Partnership | \$ | 39,000.00    | 11/8/2004  | 12/31/2005 |
| Fin.  | 3071574 | The Fleming Family Ltd. Partnership | \$ | 75,000.00    | 11/8/2004  | 12/31/2005 |
| Fin.  | 3071575 | The Fleming Family Ltd. Partnership | \$ | 50,000.00    | 11/8/2004  | 12/31/2005 |
| Fin.  | 3071583 | The Fleming Family Ltd. Partnership | \$ | 81,000.00    | 11/8/2004  | 12/31/2005 |
| Fin.  | 3071658 | Bricklemyer Smokler & Bolves        | \$ | 350,000.00   | 11/15/2004 | 11/15/2005 |
| Fin.  | 3071800 | Melissa Road Partners Ltd.          | \$ | 463,800.00   | 11/22/2004 | 11/22/2006 |
| Perf. | 3071883 | Board of Cty Spv Prince William Cty | \$ | 411,668.44   | 12/1/2004  | 11/21/2007 |
| Perf. | 3071884 | Board of Cty Spv Prince William Cty | \$ | 53,986.61    | 12/1/2004  | 5/23/2007  |
| Fin.  | 3071987 | Stelic Enterprises Inc.             | \$ | 175,000.00   | 12/3/2004  | 11/30/2005 |
| Perf. | 3072040 | Board of Cty Spv Prince William Cty | \$ | 309,039.59   | 12/8/2004  | 6/8/2006   |
| Fin.  | 3072128 | Windjam Development Group LLC       | \$ | 275,000.00   | 1/10/2005  | 12/15/2006 |
| Fin.  | 3072185 | Legacy Bank of Texas                | \$ | 818,600.00   | 12/21/2004 | 12/12/2006 |
| Fin.  | 3072197 | New Homebuyers Title Company        | \$ | 350,000.00   | 12/14/2004 | 12/14/2005 |
| Perf. | 3072317 | Board of Cty Spv Prince William Cty | \$ | 365,392.94   | 12/22/2004 | 12/17/2006 |
| Fin.  | 3072338 | Patapsco Landing LLC                | \$ | 980,000.00   | 12/23/2004 | 8/1/2006   |
| Perf. | 3072685 | Moreno Valley Properties            | \$ | 248,000.00   | 4/20/2005  | 1/18/2006  |
| Perf. | 3072686 | Moreno Valley Properties            | \$ | 100,000.00   | 4/20/2005  | 1/18/2006  |
| Perf. | 3072915 | Los Angeles Dept. of Water & Power  | \$ | 399,052.00   | 1/21/2005  | 1/31/2006  |
| Perf. | 3072956 | Stafford Cty. Board of Supervisors  | \$ | 171,513.00   | 1/24/2005  | 1/24/2007  |
| Fin.  | 3072966 | U.S. Bank National Assoc.           | \$ | 712,011.00   | 3/8/2005   | 7/1/2006   |
| Perf. | 3073074 | Placer County                       | \$ | 22,500.00    | 1/31/2005  | 1/31/2006  |

|       |         |                                     |    |              |           |            |
|-------|---------|-------------------------------------|----|--------------|-----------|------------|
| Perf. | 3073123 | Northpointe Developmt Partners      | \$ | 250,000.00   | 1/31/2005 | 1/31/2006  |
| Perf. | 3073161 | Coachella Valley Water District     | \$ | 45,863.20    | 3/25/2005 | 6/25/2006  |
| Fin.  | 3073203 | Baltimore County, MD                | \$ | 18,644.00    | 2/16/2005 | 2/16/2006  |
| Fin.  | 3073204 | Baltimore County, MD                | \$ | 92,520.00    | 2/16/2005 | 2/16/2006  |
| Fin.  | 3073205 | Baltimore County, MD                | \$ | 2,745.00     | 2/16/2005 | 2/16/2006  |
| Perf. | 3073214 | The Prudential Insurance Co.        | \$ | 5,994,193.00 | 2/9/2005  | 2/9/2006   |
| Fin.  | 3073219 | U.S. Bank National Assoc.           | \$ | 61,333.15    | 3/10/2005 | 11/30/2006 |
| Fin.  | 3073220 | U.S. Bank National Assoc.           | \$ | 63,951.85    | 3/10/2005 | 11/30/2006 |
| Fin.  | 3073346 | The Fleming Family Ltd. Partnership | \$ | 81,000.00    | 2/10/2005 | 12/31/2005 |
| Fin.  | 3073347 | The Fleming Family Ltd. Partnership | \$ | 75,000.00    | 2/10/2005 | 12/31/2005 |
| Fin.  | 3073348 | The Fleming Family Ltd. Partnership | \$ | 50,000.00    | 2/10/2005 | 12/31/2005 |
| Fin.  | 3073349 | The Fleming Family Ltd. Partnership | \$ | 35,000.00    | 2/10/2005 | 12/31/2005 |
| Fin.  | 3073350 | The Fleming Family Ltd. Partnership | \$ | 39,000.00    | 2/10/2005 | 12/31/2005 |
| Perf. | 3073558 | County of San Diego                 | \$ | 242,360.00   | 3/30/2005 | 12/31/2005 |
| Fin.  | 3073885 | Covered Bridge Holdings LLC         | \$ | 345,146.75   | 3/15/2005 | 9/15/2006  |
| Fin.  | 3073917 | Baldwin Park Development Co.        | \$ | 1,000,000.00 | 3/17/2005 | 3/17/2008  |
| Perf. | 3074011 | Stafford Cty. Board of Supervisors  | \$ | 686,171.00   | 3/22/2005 | 3/22/2006  |

|       |         |                                       |    |              |           |           |
|-------|---------|---------------------------------------|----|--------------|-----------|-----------|
| Perf. | 3074109 | Coachella Valley Water District       | \$ | 18,714.85    | 3/28/2005 | 3/28/2006 |
| Fin.  | 3074186 | Mitchell L. Phelps Inc.               | \$ | 1,000,000.00 | 4/6/2005  | 4/6/2006  |
| Fin.  | 3074231 | Residential Title & Escrow Co.        | \$ | 950,000.00   | 4/1/2005  | 4/1/2006  |
| Fin.  | 3074291 | North American Title Co.              | \$ | 346,763.00   | 4/5/2005  | 4/5/2006  |
| Fin.  | 3074339 | Branch Banking & Trust Co.            | \$ | 500,000.00   | 4/4/2005  | 4/4/2006  |
| Perf. | 3074340 | Branch Banking & Trust Co.            | \$ | 156,583.42   | 4/4/2005  | 4/4/2006  |
| Fin.  | 3074430 | Aeromaritime Investment Co.           | \$ | 250,000.00   | 4/13/2005 | 3/15/2006 |
| Fin.  | 3074466 | Security Storage Co.                  | \$ | 250,000.00   | 4/12/2005 | 4/12/2006 |
| Perf. | 3074488 | Baltimore County, MD                  | \$ | 61,300.00    | 4/28/2005 | 4/28/2006 |
| Perf. | 3074489 | Baltimore County, MD                  | \$ | 13,110.00    | 4/28/2005 | 4/28/2006 |
| Fin.  | 3074671 | Melissa Road Partners Ltd.            | \$ | 564,400.00   | 4/21/2005 | 4/21/2007 |
| Fin.  | 3074699 | The Natomas Basin Conservancy         | \$ | 100,000.00   | 4/28/2005 | 4/28/2006 |
| Fin.  | 3074710 | SCC-Canyon II, LLC                    | \$ | 4,686,589.00 | 4/28/2005 | 4/28/2006 |
| Fin.  | 3074781 | Lowndes Drosdick Doster Kantor & Reed | \$ | 511,074.25   | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074782 | Lowndes Drosdick Doster Kantor & Reed | \$ | 664,553.71   | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074783 | Lowndes Drosdick Doster Kantor & Reed | \$ | 834,356.25   | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074784 | Lowndes Drosdick Doster Kantor & Reed | \$ | 836,852.00   | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074785 | Lowndes Drosdick Doster Kantor & Reed | \$ | 1,642,288.41 | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074786 | Lowndes Drosdick Doster Kantor & Reed | \$ | 818,539.86   | 4/27/2005 | 4/25/2008 |
| Fin.  | 3074787 | Lowndes Drosdick Doster Kantor & Reed | \$ | 966,684.65   | 4/27/2005 | 4/25/2008 |

|       |         |                                       |    |              |           |            |
|-------|---------|---------------------------------------|----|--------------|-----------|------------|
| Fin.  | 3074788 | Lowndes Drosdick Doster Kantor & Reed | \$ | 140,642.39   | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074790 | Lowndes Drosdick Doster Kantor & Reed | \$ | 480,785.00   | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074791 | Lowndes Drosdick Doster Kantor & Reed | \$ | 352,535.23   | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074792 | Lowndes Drosdick Doster Kantor & Reed | \$ | 331,025.94   | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074793 | Lowndes Drosdick Doster Kantor & Reed | \$ | 587,716.25   | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074794 | Lowndes Drosdick Doster Kantor & Reed | \$ | 1,524,710.00 | 4/27/2005 | 4/25/2008  |
| Fin.  | 3074795 | Lowndes Drosdick Doster Kantor & Reed | \$ | 644,357.50   | 4/27/2005 | 4/25/2008  |
| Perf. | 3074808 | Texas Bank                            | \$ | 306,000.00   | 5/10/2005 | 5/15/2007  |
| Fin.  | 3074919 | The Fleming Family Ltd. Partnership   | \$ | 35,000.00    | 5/5/2005  | 12/31/2005 |
| Fin.  | 3074920 | The Fleming Family Ltd. Partnership   | \$ | 39,000.00    | 5/5/2005  | 12/31/2005 |
| Fin.  | 3074921 | The Fleming Family Ltd. Partnership   | \$ | 50,000.00    | 5/5/2005  | 12/31/2005 |
| Fin.  | 3074922 | The Fleming Family Ltd. Partnership   | \$ | 75,000.00    | 5/5/2005  | 12/31/2005 |
| Fin.  | 3074923 | The Fleming Family Ltd. Partnership   | \$ | 81,000.00    | 5/5/2005  | 12/31/2005 |
| Fin.  | 3074929 | Annapolis Towne Center at Parole LLC  | \$ | 6,335,129.00 | 5/9/2005  | 5/9/2008   |
| Perf. | 3074941 | City of Eden Prairie                  | \$ | 973,075.00   | 5/6/2005  | 5/6/2007   |
| Perf. | 3074942 | City of Eden Prairie                  | \$ | 42,000.00    | 5/6/2005  | 5/6/2007   |
| Fin.  | 3074947 | Annapolis Towne Center at Parole LLC  | \$ | 664,871.00   | 5/9/2005  | 5/9/2008   |
| Perf. | 3074948 | Baltimore County, MD                  | \$ | 69,696.00    | 5/24/2005 | 5/24/2006  |
| Perf. | 3074949 | Baltimore County, MD                  | \$ | 184,103.00   | 5/24/2005 | 5/24/2006  |
| Perf. | 3074950 | Baltimore County, MD                  | \$ | 30,000.00    | 5/24/2005 | 5/24/2006  |
| Perf. | 3074951 | Baltimore County, MD                  | \$ | 904,106.50   | 5/24/2005 | 5/24/2006  |
| Perf. | 3074952 | Baltimore County, MD                  | \$ | 236,365.00   | 5/24/2005 | 5/24/2006  |
| Perf. | 3074953 | Baltimore County, MD                  | \$ | 78,105.00    | 5/24/2005 | 5/24/2006  |
| Perf. | 3074954 | Baltimore County, MD                  | \$ | 61,216.00    | 5/24/2005 | 5/24/2006  |
| Perf. | 3074955 | Baltimore County, MD                  | \$ | 29,194.00    | 5/24/2005 | 5/24/2006  |
| Fin.  | 3075004 | Virginia Commerce Bank                | \$ | 1,500,000.00 | 5/9/2005  | 5/9/2006   |
| Perf. | 3075010 | The Minnehaha Creek Watershed         | \$ | 80,000.00    | 5/11/2005 | 5/11/2006  |
| Perf. | 3075011 | The Minnehaha Creek Watershed         | \$ | 6,700.00     | 5/11/2005 | 5/11/2006  |
| Perf. | 3075027 | Stafford County Board of Supervisors  | \$ | 78,176.00    | 5/11/2005 | 5/11/2006  |
| Perf. | 3075028 | Stafford County Board of Supervisors  | \$ | 75,000.00    | 5/11/2005 | 5/11/2006  |
| Perf. | 3075032 | Stafford County Board of Supervisors  | \$ | 5,313.00     | 5/17/2005 | 5/17/2006  |
| Perf. | 3075033 | Stafford County Board of Supervisors  | \$ | 323,161.00   | 5/17/2005 | 5/17/2006  |
| Perf. | 3075034 | Stafford County Board of Supervisors  | \$ | 200,044.00   | 5/17/2005 | 5/17/2006  |
| Perf. | 3075035 | Stafford County Board of Supervisors  | \$ | 17,850.00    | 5/17/2005 | 5/17/2006  |
| Fin.  | 3075133 | Ann Arundel Farms Ltd.                | \$ | 50,400.00    | 5/18/2005 | 5/18/2006  |
| Fin.  | 3075134 | Ann Arundel Farms Ltd.                | \$ | 13,400.00    | 5/18/2005 | 5/18/2006  |
| Perf. | 3075154 | Board of Cty Spv Prince William Cty   | \$ | 373,864.77   | 5/20/2005 | 5/20/2007  |

|       |         |                                    |    |              |           |            |
|-------|---------|------------------------------------|----|--------------|-----------|------------|
| Perf. | 3075157 | First American Title Insurance Co. | \$ | 250,000.00   | 5/18/2005 | 5/18/2006  |
| Perf. | 3075190 | City of Victoria                   | \$ | 1,832,902.00 | 5/25/2005 | 11/20/2006 |
| Perf. | 3075328 | Burgess & Comm.of Walkersville     | \$ | 1,658,932.50 | 5/31/2005 | 5/31/2007  |
| Perf. | 3075329 | Windsor Lakes Inc.                 | \$ | 1,000,000.00 | 6/6/2005  | 6/6/2006   |
| Perf. | 3075330 | Burgess & Comm.of Walkersville     | \$ | 64,600.00    | 5/31/2005 | 5/31/2007  |
| Fin.  | 3075385 | Acacia Credit Fund 10-A LLC        | \$ | 5,427,323.00 | 6/1/2005  | 7/29/2008  |
| Fin.  | 3075396 | FC Caldwell LLC                    | \$ | 156,000.00   | 6/1/2005  | 6/1/2008   |
| Fin.  | 3075455 | Dublin Murphy Estates Ltd.         | \$ | 96,000.00    | 6/8/2005  | 6/8/2007   |
| Perf. | 3075515 | Town of Cary                       | \$ | 200,000.00   | 6/8/2005  | 6/19/2006  |
| Perf. | 3075537 | County of Culpeper                 | \$ | 311,742.00   | 6/8/2005  | 6/8/2007   |
| Perf. | 3075538 | County of Culpeper                 | \$ | 487,530.00   | 6/8/2005  | 6/8/2007   |

|       |         |                                      |    |              |            |            |
|-------|---------|--------------------------------------|----|--------------|------------|------------|
| Perf. | 3075539 | County of Culpeper                   | \$ | 59,000.00    | 6/8/2005   | 6/8/2007   |
| Perf. | 3075540 | County of Culpeper                   | \$ | 105,200.00   | 6/8/2005   | 6/8/2007   |
| Perf. | 7401633 | VA Department of Transportation      | \$ | 30,000.00    | 4/26/1999  | 4/26/2006  |
| Perf. | 7401777 | Board of Supervisors /Prince William | \$ | 29,728.54    | 5/24/1999  | 11/25/2005 |
| Perf. | 7403137 | Stafford County Board of Supervisors | \$ | 35,527.00    | 1/11/2000  | 7/11/2005  |
| Perf. | 7403139 | Stafford County Board of Supervisors | \$ | 1,000.00     | 1/11/2000  | 7/11/2005  |
| Perf. | 7403140 | Stafford County Board of Supervisors | \$ | 34,624.00    | 1/11/2000  | 7/11/2005  |
| Perf. | 7403158 | Board of Supervisors /Prince William | \$ | 36,226.15    | 1/13/2000  | 7/13/2005  |
| Perf. | 7403214 | Stafford County Board of Supervisors | \$ | 46,837.50    | 1/27/2000  | 4/26/2006  |
| Fin.  | 7404004 | Schulman,Treem, etc.                 | \$ | 3,300,000.00 | 8/9/2000   | 8/9/2005   |
| Perf. | 7404737 | Bd.of Supervisors of Prince Wm.Cty.  | \$ | 42,100.00    | 1/12/2001  | 7/16/2005  |
| Perf. | 7404762 | Bd.of Supervisors of Prince Wm.Cty.  | \$ | 179,137.23   | 1/25/2001  | 7/23/2005  |
| Perf. | 7404842 | Bd.Of Supervisors of Prince Wm.Cty.  | \$ | 27,800.10    | 2/8/2001   | 8/16/2005  |
| Perf. | 7405365 | Stafford Cty. Board of Supervisors   | \$ | 23,493.00    | 5/22/2001  | 5/22/2006  |
| Fin.  | 7405410 | Mary Ann Daugherty & Shawn           | \$ | 25,000.00    | 6/1/2001   | 4/26/2005  |
| Perf. | 7405465 | Stafford Cty. Board of Supervisors   | \$ | 17,792.30    | 6/18/2001  | 6/18/2005  |
| Perf. | 7405467 | Stafford Cty. Board of Supervisors   | \$ | 8,073.80     | 6/18/2001  | 6/18/2005  |
| Perf. | 7405761 | Bd of Supervisors of Prince Wm.Cty.  | \$ | 45,845.00    | 9/5/2001   | 9/4/2005   |
| Fin.  | 7405783 | Premier Title Inc.                   | \$ | 1,818,356.00 | 8/31/2001  | 8/31/2005  |
| Perf. | 7405808 | Stafford Cty. Board of Supervisors   | \$ | 79,140.00    | 9/7/2001   | 9/4/2006   |
| Perf. | 7405956 | Stafford Cty. Board of Supervisors   | \$ | 6,584.00     | 10/22/2001 | 10/22/2005 |
| Perf. | 7405967 | Stafford Cty. Board of Supervisors   | \$ | 94,294.00    | 10/25/2001 | 4/25/2006  |
| Perf. | 7406051 | Stafford Cty. Board of Supervisors   | \$ | 93,891.10    | 11/16/2001 | 11/15/2005 |
| Perf. | 7406097 | Bd of Supervisors of Prince Wm.Cty.  | \$ | 174,237.80   | 11/29/2001 | 5/29/2006  |
| Fin.  | 7408431 | Texas Bank                           | \$ | 400,000.00   | 2/7/2002   | 3/31/2006  |
| Perf. | 7408684 | Stafford County Board of Supervisors | \$ | 80,613.00    | 1/29/2002  | 1/24/2006  |

|       |         |                                      |    |              |            |            |
|-------|---------|--------------------------------------|----|--------------|------------|------------|
| Fin.  | 7408995 | Legacy Bank of Texas                 | \$ | 240,000.00   | 2/11/2002  | 9/30/2005  |
| Fin.  | 7409171 | First State Bank & Fountain Ridge    | \$ | 400,000.00   | 3/13/2002  | 7/29/2006  |
| Perf. | 7409177 | Board of Supervisors /Prince William | \$ | 301,758.68   | 3/20/2002  | 3/20/2006  |
| Perf. | 7409222 | Stafford County Board of Supervisors | \$ | 197,823.00   | 3/27/2002  | 3/27/2006  |
| Fin.  | 7409328 | Lennar Homes of Texas Land           | \$ | 232,000.00   | 4/26/2002  | 7/29/2006  |
| Perf. | 7410151 | Board of Supervisors /Prince William | \$ | 147,586.38   | 8/14/2002  | 8/14/2005  |
| Perf. | 7410330 | Board of Supervisors /Prince William | \$ | 569,175.22   | 9/13/2002  | 6/24/2005  |
| Fin.  | 7410366 | Troese Title Co.                     | \$ | 230,000.00   | 9/20/2002  | 12/31/2005 |
| Fin.  | 7410417 | U.S. Bank, N.A.                      | \$ | 727,263.75   | 9/27/2002  | 9/1/2005   |
| Fin.  | 7410479 | Dublin Murphy Estates Ltd.           | \$ | 96,000.00    | 10/11/2002 | 7/29/2005  |
| Perf. | 7410606 | Board of Supervisors /Prince William | \$ | 238,435.00   | 10/24/2002 | 10/24/2005 |
| Fin.  | 7410650 | Ohio Savings Bank                    | \$ | 2,250,000.00 | 10/31/2002 | 10/30/2005 |
| Fin.  | 7410713 | Rockwall Shores Ltd.                 | \$ | 262,500.00   | 11/14/2002 | 7/29/2005  |
| Fin.  | 7410752 | U.S. Bank                            | \$ | 560,716.89   | 11/20/2002 | 11/1/2005  |
| Fin.  | 7410858 | Miles & Stockbridge P.C.             | \$ | 600,000.00   | 12/18/2002 | 3/17/2006  |
| Fin.  | 7410894 | Heartland/MSK Realty Ventures        | \$ | 4,000,000.00 | 12/23/2002 | 12/31/2005 |
| Fin.  | 7410917 | Brighton Homes of Austin Ltd.        | \$ | 960,215.00   | 12/30/2002 | 7/29/2005  |
| Perf. | 7410959 | Board of Supervisors /Prince William | \$ | 268,286.61   | 1/2/2003   | 6/23/2005  |
| Fin.  | 7410968 | Laurel Highlands LLC                 | \$ | 500,000.00   | 1/6/2003   | 1/6/2006   |
| Perf. | 7411051 | Board of Supervisors /Prince William | \$ | 82,247.43    | 1/24/2003  | 7/25/2006  |
| Perf. | 7411069 | Board of Supervisors /Prince William | \$ | 263,047.09   | 1/23/2003  | 7/24/2005  |
| Perf. | 7411130 | Stafford County Board of Supervisors | \$ | 152,219.00   | 2/5/2003   | 5/21/2006  |
| Fin.  | 7411361 | Most Rev. Paul Loverde, Bishop       | \$ | 150,000.00   | 3/24/2003  | 9/24/2005  |
| Perf. | 7411453 | Board of Supervisors /Prince William | \$ | 106,093.25   | 4/9/2003   | 10/11/2006 |
| Fin.  | 7411488 | New Homebuyer's Title Co.            | \$ | 100,000.00   | 4/23/2003  | 4/21/2006  |
| Perf. | 7411505 | Stafford County Board of Supervisors | \$ | 381,252.00   | 4/28/2003  | 4/28/2006  |
| Perf. | 7411515 | Board of Supervisors Fairfax County  | \$ | 94,600.00    | 4/28/2003  | 10/28/2005 |
| Perf. | 7411592 | Stafford County Board of Supervisors | \$ | 86,709.00    | 5/7/2003   | 5/6/2006   |
| Fin.  | 7411634 | D.R.Cameron & Associates Inc.        | \$ | 500,000.00   | 5/21/2003  | 10/31/2005 |
| Perf. | 7411692 | Burgess & Comm.of Walkersville       | \$ | 1,273,870.93 | 6/6/2003   | 6/6/2006   |
| Perf. | 7411693 | Burgess & Comm.of Walkersville       | \$ | 64,600.00    | 6/6/2003   | 6/6/2006   |
| Perf. | 7412110 | Bd.of Supervisors of Prince Wm.Cty.  | \$ | 177,192.23   | 8/11/2003  | 8/5/2005   |
| Perf. | 7412115 | Bd of Supervisors of Prince Wm.Cty.  | \$ | 25,000.00    | 8/8/2003   | 8/8/2005   |
| Perf. | 7412116 | Bd.of Supervisors of Prince Wm.Cty.  | \$ | 25,000.00    | 8/8/2003   | 8/8/2005   |
| Perf. | 7412117 | Bd.of Supervisors of Prince Wm.Cty.  | \$ | 25,000.00    | 8/8/2003   | 8/8/2005   |
| Fin.  | 7412119 | Levin & Gann, P.A.                   | \$ | 54,000.00    | 8/7/2003   | 8/7/2005   |
| Fin.  | 7412135 | Towne Lake, L.P.                     | \$ | 200,000.00   | 8/11/2003  | 8/11/2005  |

|       |         |                                     |    |              |            |            |
|-------|---------|-------------------------------------|----|--------------|------------|------------|
| Fin.  | 7412158 | New Homebuyer's Title Co.           | \$ | 450,000.00   | 8/18/2003  | 8/18/2005  |
| Fin.  | 7412191 | Bank of the West                    | \$ | 63,519.74    | 9/12/2003  | 12/31/2005 |
| Perf. | 7412402 | Bd of Supervisors of Prince Wm.Cty. | \$ | 25,000.00    | 9/24/2003  | 9/24/2005  |
| Fin.  | 7412509 | City of Suisun City                 | \$ | 2,136,645.00 | 10/7/2003  | 10/7/2005  |
| Fin.  | 7412572 | City of Palm Springs                | \$ | 50,000.00    | 10/15/2003 | 9/30/2005  |





## Schedule 5.1.2

| Type of Legal Entity | Legal Entity Name                       | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | ARROW PROPERTIES, INC.                  | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Corporate Office Subsidiary                                | Yes          | Yes       |
| CORP                 | HOVNANIAN DEVELOPMENTS OF FLORIDA, INC. | FL    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOV INTERNATIONAL, INC.              | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOV IP, II, INC.                     | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOV IP, INC.                         | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN ACQUISITIONS, INC.         | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BALLANTRAE, INC.        | FL    | Hovnanian Developments of Florida, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BERNARDS IV, INC.       | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BRANCHBURG III, INC.    | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BRIDGEPORT, INC.        | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BRIDGEWATER VI, INC.    | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BURLINGTON III, INC.    | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT BURLINGTON, INC.        | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CALABRIA, INC.          | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CARMEL DEL MAR, INC.    | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CASTILE, INC.           | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CHAPARRAL, INC.         | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CLARKSTOWN, INC.        | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT CRESTLINE, INC.         | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT DOMINGUEZ HILLS, INC.   | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name                          | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|--|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | K. HOVNANIAN AT EAST WHITELAND I, INC.     | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT FREEHOLD TOWNSHIP I, INC.  | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HACKETTSTOWN, INC.         | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HERSHEY'S MILL, INC.       | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HIGHLAND VINEYARDS, INC.   | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HOPEWELL IV, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HOPEWELL VI, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT HOWELL TOWNSHIP, INC.      | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT KINGS GRANT I, INC.        | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT KLOCKNER FARMS, INC.       | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT LA TERRAZA, INC.           | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT LA TROVATA, INC.           | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT LAKEWOOD, INC.             | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT LOWER SAUCON, INC.         | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MAHWAH II, INC.            | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MAHWAH V, INC.             | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MAHWAH VI, INC.            | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MAHWAH VII, INC.           | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MANALAPAN, INC.            | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MARLBORO II, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MARLBORO TOWNSHIP IV, INC. | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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| Type of Legal Entity | Legal Entity Name                          | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|--|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | K. HOVNANIAN AT METRO DC SOUTH, INC.       | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MONROE II, INC.            | NY    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MONTCLAIR NJ, INC.         | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT MONTGOMERY I, INC.         | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT NORTHERN WESTCHESTER, INC. | NJ    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT NORTHLAKE, INC.            | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT OCEAN TOWNSHIP, INC.       | NJ    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT OCEAN WALK, INC.           | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT PERKIOMEN I, INC.          | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT PERKIOMEN II, INC.         | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT PLAINSBORO III, INC.       | PA    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT PRINCETON, INC.            | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT RANCHO CRISTIANITOS, INC.  | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT RESERVOIR RIDGE, INC.      | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SAN SEVAINE, INC.          | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SARATOGA, INC.             | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SAWMILL, INC.              | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SCOTCH PLAINS II, INC.     | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SCOTCH PLAINS, INC.        | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SMITHVILLE, INC.           | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SOUTH BRUNSWICK III, INC.  | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | K. HOVNANIAN AT SOUTH BRUNSWICK V, INC.         | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT STONE CANYON, INC.              | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT STONY POINT, INC.               | NJ    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT SYCAMORE, INC.                  | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT TANNERY HILL, INC.              | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT THE BLUFF, INC.                 | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT THE CEDARS, INC.                | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT THORNBURY, INC.                 | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT TIERRASANTA, INC.               | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT TUXEDO, INC.                    | NJ    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT UNION TOWNSHIP I, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP I, INC. | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT UPPER MAKEFIELD I, INC.         | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT VAIL RANCH, INC.                | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WALL TOWNSHIP VI, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WALL TOWNSHIP VIII, INC.        | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WASHINGTONVILLE, INC.           | NY    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WAYNE III, INC.                 | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WAYNE V, INC.                   | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN AT WILDROSE, INC.                  | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES NORTHEAST, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.          | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF MARYLAND, INC.            | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF METRO WASHINGTON, INC.    | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF NEW YORK, INC.            | NY    | K. Hovnanian Developments of New York, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF NORTH CAROLINA, INC.      | NC    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.        | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC. | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN CONSTRUCTION II, INC.                  | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN CONSTRUCTION III, INC.                 | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.          | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.          | AZ    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.       | CA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF D.C., INC.             | MD    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.         | DE    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.         | IL    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.         | MD    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF METRO WASHINGTON, INC. | VA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF MICHIGAN, INC.         | MI    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.        | MN    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.    | CA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.       | CA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.                       | NY    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.                           | OH    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.                   | PA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.                 | SC    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.                          | TX    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.                  | WV    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN ENTERPRISES, INC.                                    | CA    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN EQUITIES, INC.                                       | NJ    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN FORECAST HOMES, INC.                                 | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.                        | NC    | Hovnanian Developments of Florida, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN HOMES OF VIRGINIA, INC.                              | VA    | Washington Homes, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.            | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN PA REAL ESTATE, INC.                                 | PA    | K. Hovnanian Developments of Pennsylvania, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.                    | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC. | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.                | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | K. HOVNANIAN PROPERTIES OF WALL, INC.                             | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | KHC ACQUISITION, INC.   | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | LANDARAMA, INC.   | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | M&M AT LONG BRANCH, INC.  | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | MATZEL & MUMFORD OF DELAWARE, INC.                                | DE    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP                 | MCNJ, Inc.  | NJ    | Hovnanian Enterprises, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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|---|--|-------|--|---|--|---|---|--|--------------|-----------|
| CORP  | PINE BROOK COMPANY, INC. REFLECTIONS OF YOU                    | NJ    | K. Hovnanian Developments of New Jersey, Inc.  |   |  |   | Restricted                              | Corporate Office Subsidiary                                | Yes          | Yes       |
| CORP  | INTERIORS, INC.  | TX    | K. Hovnanian Developments of Texas, Inc.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | SEABROOK ACCUMULATION CORPORATION                              | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | STONEBROOK HOMES, INC. THE MATZEL & MUMFORD ORGANIZATION, INC. | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WASHINGTON HOMES, INC.   | NJ    | Hovnanian Enterprises, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WASHINGTON HOMES, INC.   | DE    | Hovnanian Enterprises, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WESTMINSTER HOMES OF TENNESSEE, INC.                           | TN    | Washington Homes, Inc.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WESTMINSTER HOMES, INC.  | NC    | Washington Homes, Inc.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WH LAND I, INC.  | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| CORP  | WH PROPERTIES, INC.  | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| Limited Partnership (a restricted subsidiary) | GOODMAN FAMILY OF BUILDERS, L.P.                               | TX    | Hovnanian Developments of Florida, Inc.  | 99.90%  | K. Hovnanian Developments of Texas, Inc.   | 0.10%   | Restricted                              | Subsidiary   | Yes          | Yes       |
| Limited Partnership (a restricted subsidiary) | K. HOVNANIAN OF HOUSTON II, L.P.                               | TX    | K. Hovnanian Developments of California, Inc.  | 99.90%  | K. Hovnanian Developments of Texas, Inc.   | 0.10%   | Restricted                              | Subsidiary   | Yes          | Yes       |
| Limited Partnership (a restricted subsidiary) | K. HOVNANIAN OF HOUSTON, L.P.                                  | TX    | K. Hovnanian Developments of California, Inc.  | 99.90%  | K. Hovnanian Developments of Texas, Inc.   | 0.10%   | Restricted                              | Subsidiary   | Yes          | Yes       |
| Limited Partnership (a restricted subsidiary) | M&M INVESTMENTS, L.P.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.<br>K. Hovnanian Developments of Metro Washington, Inc.  | 99.44%  | The Matzel & Mumford Organization, Inc.  | 0.56%   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | DULLES COPPERMINE, L.L.C.                                      | VA    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | EDISON CONTRACT SERVICES, L.L.C.                               | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.          | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.             | FL    | Hovnanian Developments of Florida, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.            | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.      | NC    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF TEXAS, L.L.C.               | TX    | Goodman Family of Builders, L.P.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC   | HOVNANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.            | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name   | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional partner, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|---|-------|--|---|--|---|---|--|--------------|-----------|
| LLC                  | HOVNANIAN LAND INVESTMENT GROUP, L.L.C.   | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT 45 II, L.L.C.<br>K. HOVNANIAN AT 45, L.L.C. (NEW - joinder in mail) K. HOVNANIAN AT 45 RANCH, L.L.C. (OLD NAME) | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT ACQUA VISTA, L.L.C.   | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT ALISO, L.L.C.   | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT ARBOR HEIGHTS, LLC  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BARNEGAT I, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BELLA LAGO, L.L.C.  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BERKELEY, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BERNARDS V, L.L.C.  | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BLUE HERON PINES, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BRIDGEWATER I, L.L.C.   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT BRIDLEWOOD, L.L.C.  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CAMDEN I, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CAPISTRANO, L.L.C.  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CEDAR GROVE III, L.L.C.   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CHESTER I, L.L.C.   | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CHESTERFIELD, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CITY IN THE HILLS, L.L.C.   | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CLIFTON II, L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CLIFTON, L.L.C.   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CORTEZ HILL, L.L.C.   | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT CRANBURY,   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary   | Yes          | Yes       |

|     |                                       |    |                                  |            |            |     |     |
|-----|---------------------------------------|----|----------------------------------|------------|------------|-----|-----|
| LLC | K. HOVNANIAN AT CURRIES WOODS, L.L.C. | NJ | K. Hovnanian Holdings NJ, L.L.C. | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT DENVILLE, L.L.C.      | NJ | K. Hovnanian Holdings NJ, L.L.C. | Restricted | Subsidiary | Yes | Yes |

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|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.                   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT EASTLAKE, LLC                               | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT EDGEWATER II, L.L.C.                        | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT EDGEWATER, L.L.C.                           | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.                 | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT ENCINITAS RANCH, L.L.C.                     | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT FLORENCE I, L.L.C.                          | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT FLORENCE II, L.L.C.                         | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT FOREST MEADOWS, L.L.C.                      | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT FRANKLIN, L.L.C.                            | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.                   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.                      | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT GREAT NOTCH, L.L.C.                         | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT GUTTENBERG, L.L.C.                          | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.                     | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HAMBURG CONTRACTORS, L.L.C.                 | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HAMBURG, L.L.C.                             | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HAWTHORNE, L.L.C.                           | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.                     | MN    | K. Hovnanain Developments of Minnesota, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT HIGHWATER, L.L.C.                           | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT JACKSON I, L.L.C.                           | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT JACKSON, L.L.C.                             | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT JERSEY CITY IV, L.L.C.                      | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C. | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT KING FARM, L.L.C.                           | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LA COSTA, L.L.C.                            | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LA HABRA KNOLLS, LLC                        | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

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|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNANIAN AT LAFAYETTE ESTATES, L.L.C.             | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LAKE RIDGE CROSSING, L.L.C.           | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.                 | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LAWRENCE V, L.L.C.                    | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LINWOOD, L.L.C.                       | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C. | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C. | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.             | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LONG BRANCH I, L.L.C.                 | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.     | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.    | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.    | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LOWER MORELAND I, L.L.C.              | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT LOWER                                 | PA    | K. Hovnanian Companies of  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

|     |  |    |  |  |  |            |            |     |     |
|-----|--|----|--|--|--|------------|------------|-----|-----|
|     | MORELAND II, L.L.C.                                  |    | Pennsylvania, Inc.                                     |  |  |            |            |     |     |
| LLC | K. HOVNIANIAN AT MANALAPAN III, LLC                  | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MANSFIELD I, LLC                    | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MANSFIELD II, LLC                   | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MANSFIELD III, L.L.C.               | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MARLBORO TOWNSHIP IX, L.L.C.        | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MARLBORO TOWNSHIP V, L.L.C.         | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.      | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MARLBORO VI, L.L.C.                 | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MARLBORO VII, L.L.C.                | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.            | NJ | K. Hovnianian Holdings NJ, L.L.C.                      |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNIANIAN AT MENIFEE VALLEY CONDOMINIUMS, L.L.C. | CA | K. Hovnianian's Four Seasons at Menifee Valley, L.L.C. |  |  | Restricted | Subsidiary | Yes | Yes |

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|----------------------|---|-------|---|--|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNIANIAN AT MENIFEE, L.L.C.                | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.        | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.          | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MIDDLETOWN, L.L.C.             | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MILLVILLE I, L.L.C.            | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MILLVILLE II, L.L.C.           | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MONROE III, L.L.C.             | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MONROE IV, L.L.C.              | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MONTVALE, L.L.C.               | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MONTVALE, L.L.C.               | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MOSAIC, LLC                    | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.     | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH BERGEN II, L.L.C.        | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH BERGEN, L.L.C.           | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.     | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.      | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH CALDWELL, L.L.C.         | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH HALEDON, L.L.C.          | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.         | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTHAMPTON, L.L.C.            | PA    | K. Hovnianian Companies of Pennsylvania, Inc.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT NORTHFIELD, L.L.C.             | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT OLD BRIDGE, L.L.C.             | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT OLDE ORCHARD, LLC              | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.         | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT PARAMUS, L.L.C.                | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT PARK LANE, L.L.C.              | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.  | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT PITTSBORO, L.L.C.              | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C. | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT RANDOLPH I, L.L.C.             | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name                      | State | Name of Hovnianian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnianian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|--|-------|---|--|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNIANIAN AT RAPHO, L.L.C.         | PA    | K. Hovnianian Companies of Pennsylvania, Inc.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT READINGTON II, L.L.C. | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT RED BANK, L.L.C.      | NJ    | K. Hovnianian Holdings NJ, L.L.C.   |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNIANIAN AT RIVERBEND II, L.L.C.  | CA    | K. Hovnianian Developments of California, Inc.  |  |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

|     |   |    |   |  |  |            |            |     |     |
|-----|---|----|---|--|--|------------|------------|-----|-----|
| LLC | K. HOVNANIAN AT RIVERBEND, L.L.C.                   | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT RODERUCK, L.L.C.                    | MD | K. Hovnanian Developments of Maryland, Inc.   |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT ROWLAND HEIGHTS, L.L.C.             | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SAYREVILLE, L.L.C.                  | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.               | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SHELF COMPANY, L.L.C.               | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SKYE ISLE, L.L.C.                   | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SMITHVILLE III, L.L.C.              | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SOMERS POINT, LLC                   | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.             | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SPRINGFIELD, L.L.C.                 | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT SUNSETS, L.L.C.                     | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT TEANECK, L.L.C.                     | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT THE CROSBY, L.L.C.                  | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT THE GABLES, L.L.C.                  | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT THE PRESERVE, L.L.C.                | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT THOMPSON RANCH, L.L.C.              | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT TRAIL RIDGE, L.L.C.                 | CA | K. Hovnanian Developments of California, Inc. |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT UNION TOWNSHIP II, L.L.C.           | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C. | NJ | K. Hovnanian Holdings NJ, L.L.C.              |  |  | Restricted | Subsidiary | Yes | Yes |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

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| Type of Legal Entity | Legal Entity Name                                      | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|--|-------|--|---|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.               | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.                  | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WANAQUE, L.L.C.                        | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.                | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WASHINGTON, L.L.C.                     | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WAYNE IX, L.L.C.                       | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WAYNE VIII, L.L.C.                     | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WEST BRADFORD, L.L.C.                  | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WEST MILFORD, L.L.C.                   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WEST WINDSOR, L.L.C.                   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WILLOW BROOK, L.L.C.                   | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WINCHESTER, L.L.C.                     | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WOODHILL ESTATES, L.L.C.               | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT WOOLWICH I, L.L.C.                     | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT YONKERS I, L.L.C.                      | NY    | K. Hovnanian at Northern Westchester, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT YONKERS II, L.L.C.                     | NY    | K. Hovnanian at Northern Westchester, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN AT YONKERS III, L.L.C.                    | NY    | K. Hovnanian at Northern Westchester, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.                   | FL    | Hovnanian Developments of Florida, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.              | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.     | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN COMPANIES, LLC                            | CA    | K. Hovnanian Enterprises, Inc.   | 99.90%  | K. Hovnanian Developments of New Jersey II, Inc.                                      | 0.10%   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.              | PA    | K. Hovnanian at Perkiomen II, Inc.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN FOUR SEASONS AT GOLD HILL, L.L.C.         | SC    | K. Hovnanian Developments of South Carolina, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C. | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

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| Type of Legal Entity | Legal Entity Name | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in | If joint venture or has additional | If joint venture or has additional | Percentage ownership of partner or other | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate | Consolidated | Guarantor |
|----------------------|-------------------|-------|--|------------------------------------|------------------------------------|--|---|--|--------------|-----------|
|----------------------|-------------------|-------|--|------------------------------------|------------------------------------|--|---|--|--------------|-----------|

|     |  |      | right hand column, 100% of entity is owned by the single member | member, % controlled by Hovnanian or primary member ** | member, additional partner or multiple member name | member (if applicable) | Office Subsidiary |            |     |     |
|-----|--|------|---|--|--|------------------------|-------------------|------------|-----|-----|
| LLC | K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC | AZ   | K. Hovnanian Developments of Arizona, Inc.                      |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN GREAT WESTERN HOMES, L.L.C.         | AZ   | K. Hovnanian Developments of Arizona, Inc.                      |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOLDINGS NJ, LLC                    | NJ   | K. Hovnanian Developments of New Jersey, Inc.                   | 99.90%   | K. Hovnanian Developments of New Jersey II, Inc.   | 0.10%                  | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT CAMERON STATION, L.L.C.    | VA   | K. Hovnanian Developments of Metro Washington, Inc.             |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.       | MD   | Hovnanian Developments of Florida, Inc.                         |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.           | MD   | K. Hovnanian Homes of Maryland, L.L.C.                          |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.         | MD   | Hovnanian Developments of Florida, Inc.                         |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT LAUREL HIGHLANDS, L.L.C.   | VA   | K. Hovnanian Developments of Metro Washington, Inc.             |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.      | MD   | K. Hovnanian Homes of Maryland, L.L.C.                          |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.      | MD   | K. Hovnanian Homes of Maryland, L.L.C.                          |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.  | MD   | Hovnanian Developments of Florida, Inc.                         |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES AT RUSSETT, L.L.C.            | MD   | Hovnanian Developments of Florida, Inc.                         |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF D.C., L.L.C.               | D.C. | K. Hovnanian Developments of DC, Inc.                           |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF DELAWARE, L.L.C.           | DE   | K. Hovnanian Developments of Delaware, Inc.                     |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF MARYLAND, L.L.C.           | MD   | Hovnanian Developments of Florida, Inc.                         |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.          | MN   | K. Hovnanian Developments of Minnesota, Inc.                    |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.       | PA   | K. Hovnanian Companies of Pennsylvania, Inc.                    |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF SOUTH CAROLINA, L.L.C.     | SC   | K. Hovnanian Developments of South Carolina, Inc.               |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.      | WV   | K. Hovnanian Developments of West Virginia, Inc.                |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN INVESTMENTS, L.L.C.                 | NJ   | K. Hovnanian Holdings NJ, L.L.C.                                |  |  |                        | Restricted        | Subsidiary | Yes | Yes |
| LLC | K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.  | DE   | K. Hovnanian Holdings NJ, L.L.C.                                |  |  |                        | Restricted        | Subsidiary | Yes | Yes |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name   | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office | Consolidated | Guarantor |
|----------------------|---|-------|--|---|--|---|---|---|--------------|-----------|
| LLC                  | K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.                      | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN NORTHEAST SERVICES, L.L.C.                             | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN OHIO REALTY, L.L.C.                                    | OH    | K. Hovnanian Developments of Ohio, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.                      | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.                             | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.                      | DE    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.                            | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.                                | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.                       | MI    | K. Hovnanian Developments of Michigan, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.                   | PA    | K. Hovnanian Companies of Pennsylvania, Inc.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.                  | WV    | K. Hovnanian Developments of West Virginia, Inc.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN SUMMIT HOMES, L.L.C.                                   | OH    | K. Hovnanian Developments of Ohio, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN T&C INVESTMENT, L.L.C.                                 | NJ    | K. Hovnanian Holdings NJ, L.L.C.   | 100%  | Note: involved in Hovstone Joint Venture Ownership Structure       |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN T&C MANAGEMENT CO., L.L.C.                             | CA    | K. Hovnanian Developments of California, Inc.  | 100%  | Note: involved in Hovstone Joint Venture Ownership Structure       |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN WINDWARD HOMES, L.L.C.                                 | FL    | Hovnanian Developments of Florida, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.              | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.                  | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C. | VA    | K. Hovnanian Development of Metro Washington, Inc.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.             | VA    | K. Hovnanian Development of Metro Washington, Inc.   |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC                           | CA    | K. Hovnanian Developments of California, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.     | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted                              | Subsidiary                                      | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name  | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|--|-------|--|---|---|---|---|--|--------------|-----------|
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.           | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT MENIFEE VALLEY, L.L.C.        | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, L.L.C.          | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C. | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.             | VA    | K. Hovnanian Developments of Metro Washington, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S FOUR SEASONS, L.L.C.                          | CA    | K. Hovnanian Developments of California, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.                | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | KHIP LLC   | NJ    | K. Hovnanian Holdings NJ, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | KINGS COURT AT MONTGOMERY, L.L.C.                            | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT APPLE RIDGE, L.L.C.                                   | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT BROOKHILL, L.L.C.                                     | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT CHESTERFIELD, LLC                                     | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT EAST MILL, L.L.C.                                     | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT HERITAGE WOODS, L.L.C.                                | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT KENSINGTON WOODS, LLC                                 | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT MORRISTOWN, L.L.C.                                    | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT ROBERT MORRIS, L.L.C.                                 | NJ    | M&M Investments, L.P.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT SHERIDAN, L.L.C.                                      | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT SPARTA, L.L.C.  | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT SPINNAKER POINTE, L.L.C.                              | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT SPRUCE HOLLOW, L.L.C.                                 | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT SPRUCE MEADOWS, L.L.C.                                | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name   | State | Name of Hovnanian's parent company, member, or shareholder<br>**If no percentage is indicated in right hand column, 100% of entity is owned by the single member | If joint venture or has additional member, % controlled by Hovnanian or primary member ** | If joint venture or has additional member, additional partner or multiple member name | Percentage ownership of partner or other member (if applicable) | Restricted or Non-Restricted Subsidiary | Subsidiary or Joint Venture or Corporate Office Subsidiary | Consolidated | Guarantor |
|----------------------|---|-------|--|---|---|---|---|--|--------------|-----------|
| LLC                  | M&M AT SPRUCE RUN, L.L.C.                                   | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT TAMARACK HOLLOW, L.L.C.                              | NJ    | M&M Investments, L.P.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT THE HIGHLANDS, L.L.C.                                | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT WEST ORANGE, L.L.C.                                  | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | M&M AT WHEATENA URBAN RENEWAL, L.L.C.                       | NJ    | M&M Investments, L.P.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT CRANBURY KNOLL, L.L.C.                  | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT EGG HARBOR, L.L.C.                      | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT FREEHOLD, L.L.C.                        | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT HERITAGE LANDING, L.L.C.                | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT MONTGOMERY, L.L.C.                      | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT PHILLIPSBURG, L.L.C.                    | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C. | NJ    | M&M Investments, L.P.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT SOUTH BRUNSWICK, L.L.C.                 | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.                  | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.     | OH    | K. Hovnanian Developments of Ohio, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | MMIP, L.L.C.  | NJ    | M&M Investments, LP<br>Hovnanian Land Investment Group of Florida, L.L.C.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | NORTH MANATEE, L.L.C.                                       | FL    |  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | PADDOCKS, L.L.C.  | MD    | K. Hovnanian Homes of Maryland, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | PINE AYR, L.L.C.  | MD    | K. Hovnanian Homes of Maryland, L.L.C.   |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | RIDGEMORE UTILITY, L.L.C.                                   | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | THE LANDINGS AT SPINNAKER POINTE, L.L.C.                    | NJ    | The Matzel & Mumford Organization, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |
| LLC                  | WASHINGTON HOMES AT COLUMBIA TOWN CENTER, LLC               | MD    | K. Hovnanian Developments of Maryland, Inc.  |   |   |   | Restricted                              | Subsidiary   | Yes          | Yes       |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of Legal Entity | Legal Entity Name | State | Name of Hovnanian's parent company, member, or shareholder | If joint venture or | If joint venture or | Percentage ownership | Restricted or Non- | Subsidiary or Joint | Consolidated | Guarantor |
|----------------------|-------------------|-------|--|---------------------|---------------------|----------------------|--------------------|---------------------|--------------|-----------|
|----------------------|-------------------|-------|--|---------------------|---------------------|----------------------|--------------------|---------------------|--------------|-----------|



| Entity                    |  |    | **If no percentage is indicated in right hand column, 100% of entity is owned by the single member | has additional member, % controlled by Hovnanian or primary member ** | has additional member, additional partner or multiple member name  | of partner or other member (if applicable)                                    | Restricted Subsidiary | Venture or Corporate Office Subsidiary |     |     |
|---------------------------|--|----|--|---|--|---|-----------------------|--|-----|-----|
| LLC                       | WESTMINSTER HOMES OF ALABAMA, L.L.C.                   | MD | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted            | Subsidiary                             | Yes | Yes |
| LLC                       | WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.               | MD | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted            | Subsidiary                             | Yes | Yes |
| LLC                       | WOODLAND LAKES CONDOS @ BOWIE NEWTOWN, L.L.C.          | MD | K. Hovnanian Developments of Maryland, Inc.  |   |  |   | Restricted            | Subsidiary                             | Yes | Yes |
| OTHER; Joint Venture; LLC | COBBLESTONE SQUARE DEVELOPMENT, LLC                    | VA | K. Hovnanian Homes of Virginia, Inc.   | 50%   | Cobblestone Square, LLC c/o Garrett Development Corporation  | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | HERITAGE PINES, L.L.C.                                 | NC | K. Hovnanian Companies of North Carolina, Inc.   | 50%   | U.S. Home Corp.  | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | HOVSTONE HOLDINGS, L.L.C.                              | DE | K. Hovnanian T&C Investment, L.L.C.  | 20%   | BRE/Hovstone, L.L.C.   | 80%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | INGLEWOOD NORTH, L.L.C.                                | MD | Hovnanian Land Investment Group of Maryland, L.L.C.  | 30%   | Petrie Inglewood AKT Jaeger 530 LLC  | 70%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | JAEGER ROAD 530  | CA | K. Hovnanian Forecast Homes, Inc.  | 50%   | (commercial developer) and managing member   | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | K. HOVNaNIAN AT LAKE RANCHO VIEJO, L.L.C.              | CA | K. Hovnanian Developments of California, Inc.  | 80%   | Hearthstone  | 20%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | K. HOVNaNIAN AT PHILADELPHIA I, L.L.C.                 | PA | Old City Joint Development, L.L.C.   | 99.90%  | Various Lehman funds/entities (Old City Holdings, LLC) owns 80% of Old City Joint Development, L.L.C. and K. Hovnanian Companies of Pennsylvania, Inc. owns 20% involved in Port | Old City Development Inc. owns 0.1% of K. Hovnanian at Philadelphia I, L.L.C. | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | K. HOVNaNIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C. | NJ | PI Investments II, L.L.C.  | 100%  | Imperial structure/Lehman  |   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | K. HOVNaNIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.  | NJ | PI Investments II, L.L.C.  | 100%  | Imperial structure/Lehman  |   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | K. HOVNaNIAN INVESTMENTS II, L.L.C.                    | NJ | K. Hovnanian Holdings NJ, L.L.C.   | 100%  | Imperial structure/Lehman  |   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | LAUREL HIGHLANDS, LLC                                  | VA | K. Hovnanian Homes of Virginia, Inc.   | 50%   | Eagle Homes/Virgina, Inc.  | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | M&M AT MONROE WOODS, L.L.C.                            | NJ | M&M Investments, L.P.  | 50%   | Realty Management, LLC   | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | MM-BEACHFRONT NORTH I, L.L.C.                          | NJ | M&M Investments, L.P.  | 50%   | M&M at Long Branch, Inc.   | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |
| OTHER; Joint Venture; LLC | MM-BEACHFRONT NORTH II, L.L.C.                         | NJ | M&M Investments, L.P.  | 50%   | M&M at Long Branch, Inc.   | 50%   | Non-Restricted        | Joint Venture                          | No  | No  |

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|---------------------------|------------------------------------|-------|---|---|---|---|---|--|--------------|-----------|
| OTHER; Joint Venture; LLC | NRD, L.L.C.                        | FL    | K. Hovnanian Homes of Virginia, Inc.  | 50%   | KB Home Tampa, LLC  | 50%   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | OLD CITY DEVELOPMENT, INC          | PA    | Old City Joint Development, L.L.C.  | 100%  | Involved in Old City Organizational Structure   |   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | OLD CITY JOINT DEVELOPMENT, L.L.C. | PA    | K. Hovnanian Companies of Pennsylvania, Inc.  | 20%   | Old City Holdings, L.L.C. (Lehman)  | 80%   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | PI INVESTMENTS I, L.L.C.           | DE    | K. Hovnanian Investments, L.L.C.  | 20%   | Lehman  | 80%   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | PI INVESTMENTS II, L.L.C.          | DE    | K. Hovnanian Investments II, L.L.C.   | 100%  |   |   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | RR HOUSTON DEVELOPERS, LLC         | TX    | K. Hovnanian of Houston, LP   | 50%   | Dickson Partners, LLC (25%) Touse Homes, Inc. (25%)                                   | 25% 25%   | Non-Restricted                          | Joint Venture  | No           | No        |
| OTHER; Joint Venture; LLC | RR HOUSTON INVESTORS, LLC          | TX    | K. Hovnanian of Houston, LP   | 22%   | J. Dickson Rogers, LP (25%) KB Homes Lone Star (31%) Touse Homes, Inc. (22%)          | 25% 31% 22%   | Non-Restricted                          | Joint Venture  | No           | No        |

|                                    |  |    |  |  |   |            |                |               |     |    |
|------------------------------------|--|----|--|--|---|------------|----------------|---------------|-----|----|
| OTHER;<br>Joint<br>Venture;<br>LLC | THOMPSON RANCH JOINT<br>DEVELOPMENT, L.L.C.    | DE | K. Hovnanian at Thompson Ranch, LLC  | 20%  | Thompson Ranch-<br>Santa Clarita,<br>LLC  | 80%        | Non-Restricted | Joint Venture | No  | No |
| OTHER;<br>Joint<br>Venture;<br>LLC | WHI-REPUBLIC, LLC                              | VA | K. Hovnanian Homes of Virginia, Inc.   | 50%  | Kramer/Republic,<br>LLC   | 50%        | Non-Restricted | Joint Venture | No  | No |
| OTHER;<br>Joint<br>Venture;<br>LLC | WRIGHT FARM, LLC                               | VA | K. Hovnanian Homes of Virginia, Inc.   | 50%  | US Home Corp.<br>Toll TX III, LP &<br>Goodman Family<br>of Builders, LP<br>(limited partners) | 50%        | Non-Restricted | Joint Venture | No  | No |
| OTHER;<br>Joint<br>Venture; LP     | PRESTON PARKER, LP                             | TX | Preston Parker, LLC (General Partner)  | 50%  |   | 50%        | Non-Restricted | Joint Venture | No  | No |
| OTHER;<br>Joint<br>Venture; LP     | RR HOUSTON DEVELOPMENT,<br>L.P.                | TX | K. Hovnanian of Houston, LP (49%) Tousa<br>Ventures, LLC (49%)<br>K. Hovnanian of Houston, LP (21.5%) J.<br>Dickson Rodgers, LP (24.5%) Tousa Ventures,<br>LLC (21.5%) KB Homes Lone Star, LP<br>(30.5%) | 49%<br>49%<br>21.5%<br>24.5%<br>21.5%<br>30.5% | RR Houston<br>Developers, LLC   | 2%         | Non-Restricted | Joint Venture | No  | No |
| OTHER;<br>Joint<br>Venture; LP     | RR HOUSTON INVESTMENT,<br>L.P.                 | TX |  |  | RR Houston<br>Investor, LLC   | 2%         | Non-Restricted | Joint Venture | No  | No |
| Non-<br>Restricted<br>Sub.         | 12TH* STREET RESIDENTIAL,<br>LTD.              | TX | K. Hovnanian of Houston II, L.P.   | 100% Invest./80%<br>profit                     | Lakeland<br>Development   | 20% profit | Non-Restricted | Subsidiary    | Yes | No |
| Non-<br>Restricted<br>Sub.         | BRIGHTBEACH<br>DEVELOPMENT, LTD.               | TX | K. Hovnanian of Houston II, L.P.   | 100% Invest./80%<br>profit                     | Lakeland<br>Development   | 20% profit | Non-Restricted | Subsidiary    | Yes | No |
| Non-<br>Restricted<br>Sub.         | BRIGHTCHASE, LTD.                              | TX | K. Hovnanian of Houston II, L.P.   | 100% Invest./80%<br>profit                     | Texas Land<br>Development, Inc.   | 20% profit | Non-Restricted | Subsidiary    | Yes | No |
| Non-<br>Restricted<br>Sub.         | BRIGHTON HOMES AT WALDEN<br>MANAGEMENT, L.L.C. | TX | K. Hovnanian of Houston II, L.P.   | 50%  | BHHO, ltd.  | 50%        | Non-Restricted | Subsidiary    | Yes | No |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

| Type of<br>Legal<br>Entity | Legal Entity Name   | State | Name of Hovnanian's parent<br>company, member, or shareholder<br>**If no percentage is indicated in<br>right hand column, 100% of entity is owned<br>by the single member | If joint<br>venture or<br>has<br>additional<br>member, %<br>controlled by<br>Hovnanian or<br>primary<br>member ** | If joint<br>venture or<br>has<br>additional<br>partner or<br>multiple<br>member<br>name | Percentage<br>ownership<br>of partner<br>or other<br>member (if<br>applicable) | Restricted<br>or Non-<br>Restricted<br>Subsidiary | Subsidiary<br>or Joint<br>Venture or<br>Corporate<br>Office<br>Subsidiary | Consolidated | Guarantor |
|----------------------------|---|-------|---|---|---|--|---|---|--------------|-----------|
| Non-<br>Restricted<br>Sub. | BRIGHTON HOMES AT<br>WALDEN, LTD.                             | TX    | K. Hovnanian of Houston II, L.P.  | 49.5%   | BHHO, Ltd<br>(49.5%) &<br>Brighton Homes<br>at Walden Mgt,<br>L.L.C. (1%)               | 49.5% & 1%   | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | CAMBRIDGE MORTGAGE,<br>L.L.C.                                 | FL    | K. Hovnanian American Mortgage, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | EASTERN TITLE AGENCY, INC.                                    | NJ    | K. Hovnanian Developments of New<br>Jersey, Inc.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | FOUNDERS TITLE AGENCY OF<br>MARYLAND, L.L.C.                  | MD    | Hovnanian Developments of Florida, Inc.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | FOUNDERS TITLE AGENCY,<br>INC.                                | VA    | K. Hovnanian Developments of Metro<br>Washington, Inc.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | GOSLING ROAD<br>DEVELOPMENT CO., INC.                         | TX    | K. Hovnanian of Houston II, L.P.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | GOVERNOR'S ABSTRACT CO.,<br>INC.                              | PA    | Eastern Title Agency, Inc.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HEXTER FAIR LAND TITLE<br>COMPANY I, INC.                     | TX    | Goodman Family of Builders, L.P.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HOMEBUYER'S MORTGAGE,<br>INC.                                 | MD    | Hovnanian Enterprises, Inc.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HOVNANIAN FINANCIAL<br>SERVICES I, INC.                       | NJ    | Hovnanian Enterprises, Inc.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HOVNANIAN FINANCIAL<br>SERVICES II, INC.                      | NJ    | Hovnanian Enterprises, Inc.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HOVNANIAN FINANCIAL<br>SERVICES IV, INC.                      | NJ    | Hovnanian Enterprises, Inc.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | HUNTER MILL VILLAGE, L.L.C.                                   | VA    | Hovnanian Land Investments Group of<br>Virginia, L.L.C.   | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | K. HOVNANIAN AMERICAN<br>MORTGAGE, L.L.C.                     | NJ    | K. Hovnanian Holdings NJ, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | K. HOVNANIAN AT<br>MANALAPAN II, L.L.C.                       | NJ    | K. Hovnanian Holdings NJ, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | K. HOVNANIAN AT PORT<br>IMPERIAL URBAN RENEWAL II,<br>L.L.C.  | NJ    | K. Hovnanian Holdings NJ, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | K. HOVNANIAN AT PORT<br>IMPERIAL URBAN RENEWAL<br>III, L.L.C. | NJ    | K. Hovnanian Holdings NJ, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| Non-<br>Restricted<br>Sub. | K. HOVNANIAN CHESTERFIELD<br>INVESTMENT, L.L.C.               | NJ    | K. Hovnanian Holdings NJ, L.L.C.  | 100%  |   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |



|                                      |   |    |  |      |  |                |            |     |    |
|--------------------------------------|---|----|--|------|--|----------------|------------|-----|----|
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN COOPERATIVE,<br>INC.           | VA | Hovnanian Enterprises, Inc.                      | 100% |  | Non-Restricted | Subsidiary | Yes | No |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN INVESTMENT<br>PROPERTIES, INC. | NJ | K. Hovnanian Developments of New<br>Jersey, Inc. | 100% |  | Non-Restricted | Subsidiary | Yes | No |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

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| Type of<br>Legal<br>Entity           | Legal Entity Name  | State | Name of Hovnanian's parent<br>company, member, or shareholder<br>**If no percentage is indicated in<br>right hand column, 100% of entity is owned<br>by the single member | If joint<br>venture or<br>has<br>additional<br>member, %<br>controlled by<br>Hovnanian or<br>primary<br>member ** | If joint<br>venture or<br>has<br>additional<br>member,<br>additional<br>partner or<br>multiple<br>member<br>name | Percentage<br>ownership<br>of partner<br>or other<br>member (if<br>applicable) | Restricted<br>or Non-<br>Restricted<br>Subsidiary | Subsidiary<br>or Joint<br>Venture or<br>Corporate<br>Office<br>Subsidiary | Consolidated | Guarantor |
|--------------------------------------|--|-------|---|---|--|--|---|---|--------------|-----------|
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN MORTGAGE, INC.                                | NJ    | K. Hovnanian Developments of New<br>Jersey, Inc.  | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN POLAND, SP<br>.Z.O.O.                         | INTL  | K. Hovnanian Enterprises, Inc.  | 69%   | K. Hovnanian<br>International,<br>Inc.   | 31%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN PROPERTIES OF<br>RED BANK, INC.               | NJ    | K. Hovnanian Developments of New<br>Jersey, Inc.  | 100%  |  |  | Non-Restricted                                    | Corporate<br>Office<br>Subsidiary   | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN T&C HOMES AT<br>FLORIDA, L.L.C.               | FL    | Hovnanian Developments of Florida, Inc.   | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN T&C HOMES AT<br>ILLINOIS, L.L.C.              | IL    | Hovnanian Developments of Illinois, Inc.  | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN T&C HOMES AT<br>MINNESOTA, L.L.C.             | MN    | K. Hovnanian Developments of<br>Minnesota, Inc.   | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN TITLE<br>REINSURANCE, INC.                    | VT    | Hovnanian Enterprises, Inc.   | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN VENTURE I, L.L.C.                             | NJ    | K. Hovnanian at Raritan I, Inc.   | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | K. HOVNANIAN'S FOUR SEASONS<br>AT BEAUMONT, L.L.C.         | CA    | K. Hovnanian Developments of California, Inc.   | 100%  | Structured Lot<br>Option   |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | KINGS CROSSING AT<br>MONTGOMERY, L.L.C.                    | NJ    | The Matzel & Mumford Organization, Inc.   | 50%   | M&M<br>Investments, LP   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | MCKINLEY COURT, L.L.C.                                     | NJ    | The Matzel & Mumford Organization, Inc.   | 50%   | Meyer Gold   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | NEW HOMEBUYERS TITLE CO.<br>(VIRGINIA) L.L.C.              | VA    | K. Hovnanian Developments of Metro<br>Washington, Inc.  | 50%   | Nova Land Title<br>Co.   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | NEW HOMEBUYERS TITLE<br>COMPANY, L.L.C.                    | MD    | K. Hovnanian Developments of Maryland, Inc.   | 50%   | Real Pro, Inc.   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | NEW HOMEBUYERS TITLE<br>COMPANY, L.L.C. [WEST<br>VIRGINIA] | WV    | K. Hovnanian Developments of West<br>Virginia, Inc.   | 50%   | George Street<br>LLC   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | PARK TITLE COMPANY, LLC                                    | TX    | K. Hovnanian of Houston, L.P.   | 50%   | K. Hovnanian of<br>Houston II, L.P.  | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | PARKWAY DEVELOPMENT<br>COMPANY                             | NC    | K. Hovnanian Companies of North<br>Carolina, Inc.   | 50%   | Monumental Life<br>Insurance<br>Company  | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | PINNACLE MORTGAGE GROUP,<br>INC.                           | OH    | K. Hovnanian Developments of Ohio, Inc.   | 66.67%  | Anthony<br>Ciccarelli  | 33.33%   | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | TITLE GROUP II, L.L.C.                                     | TN    | Washington Homes, Inc.  | 50%   | Richard McNeese  | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | TOWN HOMES AT MONTGOMERY,<br>L.L.C.                        | NJ    | The Matzel & Mumford Organization, Inc.   | 50%   | Meyer Gold   | 50%  | Non-Restricted                                    | Subsidiary  | Yes          | No        |
| OTHER;<br>Non-<br>Restricted<br>Sub. | TRINITY LIMITED TITLE AGENCY,<br>INC.                      | FL    | Hovnanian Developments of Florida, Inc.   | 100%  |  |  | Non-Restricted                                    | Subsidiary  | Yes          | No        |

\*\* If no percentage is indicated, 100% of entity is owned by the single member

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**SCHEDULE 5.1.8  
MATERIAL ADVERSE EVENTS SINCE OCTOBER 31, 2004**

None.

**SCHEDULE 5.1.12  
CONSENTS AND APPROVALS**

None.

**EXHIBIT 1.1(A)**

**FORM OF  
ASSIGNMENT AND ASSUMPTION AGREEMENT**

This ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including, to the extent included in any such facilities, letters of credit and swingline loans) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor: \_\_\_\_\_
2. Assignee: \_\_\_\_\_ [and is an Affiliate(1)]
3. Borrower: K. Hovnanian Enterprises, Inc.
4. Agent: PNC Bank, National Association, as the agent under the Credit Agreement
5. Credit Agreement: The Fifth Amended and Restated Credit Agreement dated June 14, 2005 among K. Hovnanian Enterprises, Inc. (the "Borrower"), Hovnanian Enterprises, Inc., as a Guarantor, the Lenders now or hereafter party thereto and PNC Bank, National Association, as administrative agent (the "Agent")

(1) Insert if applicable.

6. Assigned Interest:

| Facility Assigned | Aggregate<br>Amount of<br>Commitment/Loans<br>for all Lenders | Amount of<br>Commitment/Loans<br>Assigned | Percentage<br>Assigned of<br>Commitment/Loans(2) |
|-------------------|---|---|--|
| (3)               | \$  | \$  | %  |
|                   | \$  | \$  | %  |
|                   | \$  | \$  | %  |

Effective Date: \_\_\_\_\_, 20 [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.](4)

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR  
[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Title:

ASSIGNEE  
[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Title:

[Consented to and](5) Accepted:

PNC BANK, NATIONAL ASSOCIATION, as

Agent

By \_\_\_\_\_  
Name:  
Title:

- (2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.  
(3) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Loan Commitment", etc.) The same percentage of each facility owned by the Assignor shall be assigned to the Assignee.  
(4) Assignor shall pay a fee of \$3,500 to the Agent in connection with the Assignment.  
(5) To be added only if the consent of the Agent is required by the terms of the Credit Agreement.

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[Consented to:](6)

[NAME OF BORROWER OR OTHER RELEVANT PARTY]

By \_\_\_\_\_  
Name:  
Title:

- (6) To be added only if the consent of the Borrower and/or other parties (e.g. Swingline Lender, L/C Issuer) is required by the terms of the Credit Agreement.

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ANNEX 1

[ ](7)

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT  
AND ASSUMPTION AGREEMENT

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (herein collectively the "Loan Documents"), or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements, if any, of an eligible assignee under the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.3 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if Assignee is not incorporated or organized under the laws of the United States of America or any State thereof, attached to the Assignment is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.(8)

3. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New Jersey.

(7) Describe Credit Agreement at option of Agent.

(8) Agent should consider whether this method conforms to its systems. In some circumstances, the following alternative language may be appropriate: "From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves."

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## EXHIBIT 1.1(G)(1)

### FORM OF AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT

THIS AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT (the "Guarantee") is made and entered into June 14, 2005, by each of the entities listed on the signature pages hereto (each a "Guarantor" and collectively, the "Guarantors"), in favor of PNC BANK, NATIONAL ASSOCIATION, including its successors and assigns, as administrative agent for the Lenders under the Credit Agreement described below (the "Agent").

#### BACKGROUND:

In order to induce the Lenders to make loans to K. Hovnanian Enterprises, Inc., a California corporation (the "Borrower"), in accordance with that certain Fifth Amended and Restated Credit Agreement of even date herewith (as it may hereafter from time to time be amended, restated, modified or supplemented, the "Credit Agreement") by and among the Borrower, Hovnanian Enterprises, Inc. (one of the Guarantors), the Agent, and the Lenders now or hereafter party thereto (the "Lenders"), each Guarantor hereby unconditionally and irrevocably guarantees and becomes surety as though it was a primary obligor for the full and timely payment when due, whether at maturity, by declaration, acceleration or otherwise, of the principal of and interest and fees on all Obligations (as defined in the Credit Agreement), both those now in existence and those that shall hereafter be made, of the Borrower to the Agent and the Lenders under the Credit Agreement and the Notes issued by the Borrower in connection therewith and any extensions, renewals, replacements or refundings thereof, and each and every other obligation or liability (both those now in existence and those that shall hereafter arise and including, without limitation, all costs and expenses of enforcement and collection, including reasonable attorney's fees) of the Borrower to the Lenders under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), and any extensions, renewals, replacements or refundings thereof (hereinafter referred to as the "Guaranteed Indebtedness"), whether or not such Guaranteed Indebtedness or any portion thereof shall hereafter be released or discharged or is for any reason invalid or unenforceable.

1. Capitalized terms used herein and not otherwise defined herein shall have such meanings given to them in the Credit Agreement.

2. Each Guarantor agrees to make such full payment forthwith upon demand of the Agent when the Guaranteed Indebtedness or any portion thereof is due to be paid by the Borrower to the Lenders, whether at stated maturity, by declaration, acceleration or otherwise. Each Guarantor agrees to make such full payment irrespective of whether or not any one or more of the following events has occurred: (i) the Agent has made any demand on the Borrower or the other Guarantors; (ii) the Agent has taken any action of any nature against the Borrower or the other Guarantors; (iii) the Agent has pursued any rights which it has against any other Person who may be liable for the Guaranteed Indebtedness; (iv) the Agent holds or has resorted to any security for the Guaranteed Indebtedness; or (v) the Agent has invoked any other remedy or right it has available with respect to the Guaranteed Indebtedness. Each Guarantor further agrees to

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make full payment to the Lenders even if circumstances exist which otherwise constitute a legal or equitable discharge of such Guarantor as surety or guarantor.

3. The terms, conditions and provisions of Section 5.1 [Representations and Warranties] of the Credit Agreement are incorporated herein by reference as if fully set forth in this Guarantee. The Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, make the representations and warranties set forth in Section 5.1 [Representations and Warranties] of the Credit Agreement to the Agent and to each of the Lenders on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Section 6.1 [First Loans and Letters of Credit] and Section 6.2 [Each Additional Loan or Letter of Credit] of the Credit Agreement. In addition, each Guarantor warrants to the Agent and the Lenders that: (i) no other agreement, representation or special condition exists between such Guarantor and the Agent or any Lender regarding the liability of such Guarantor hereunder, nor does any understanding exist between such Guarantor and any Lender that the obligations of such Guarantor hereunder are or will be other than as set forth herein; and (ii) as of the date hereof, such Guarantor has no defense whatsoever to any action or proceeding that may be brought to enforce this Guarantee.

4. Until all of the Guaranteed Indebtedness is paid in full, each Guarantor waives and agrees not to enforce any of the rights of such Guarantor against the Borrower or the other Guarantors, including, but not limited to: (i) any right of such Guarantor to be subrogated in whole or in part to any right or claim with respect to any Guaranteed Indebtedness or any portion thereof to the Lenders which might otherwise arise from payment by any Guarantor to the Lenders on the account of the Guaranteed Indebtedness or any portion thereof; and (ii) any right of any Guarantor to require the marshalling of assets of the Borrower or the other Guarantors which might otherwise arise from payment by any Guarantor to the Lenders on account of the Guaranteed Indebtedness or any portion thereof. If any amount shall be paid to any Guarantor in violation of the preceding sentence, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Lenders and shall forthwith be paid to the Agent and the Lenders to be credited and applied upon the Guaranteed Indebtedness, whether matured or unmatured, in accordance with the terms of the Credit Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waivers set forth in this Section are knowingly made in contemplation of such benefits.

5. Each Guarantor waives promptness and diligence by the Lenders with respect to its rights under the Credit Agreement or any of the other Loan Documents, including, but not limited to, this Guarantee.

6. Each Guarantor waives any and all notice with respect to: (i) acceptance by the Agent on behalf of the Lenders of this Guarantee; (ii) the provisions of any note, instrument or agreement relating to the Guaranteed Indebtedness; and (iii) any default in connection with the Guaranteed Indebtedness.

7. Each Guarantor waives any presentment, demand, notice of dishonor or nonpayment, protest, and notice of protest in connection with the Guaranteed Indebtedness.

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8. Each Guarantor agrees that the Lenders may from time to time and as many times as the Lenders, in their sole discretion, deem appropriate, do any of the following without notice to any Guarantor and without adversely affecting the validity or enforceability of this Guarantee: (i) release, surrender, exchange, compromise, or settle the Guaranteed Indebtedness or any portion thereof; (ii) change, renew, or waive the terms of the Guaranteed Indebtedness or any portion thereof; (iii) change, renew, or waive the terms, including without limitation, the rate of interest charged to the Borrower or any Guarantor, of any note, instrument, or agreement relating to the Guaranteed Indebtedness or any portion thereof; (iv) grant any extension or indulgence with respect to the payment to the Lenders of the Guaranteed Indebtedness or any portion thereof; (v) enter into any agreement of forbearance with respect to the Guaranteed Indebtedness or any portion thereof; (vi) release, surrender, exchange or compromise any security held by the Agent on behalf of the Lenders for the Guaranteed Indebtedness; (vii) release any Person who is a guarantor or surety or who has agreed to purchase the Guaranteed Indebtedness or any portion thereof; and (viii) release, surrender, exchange or compromise any security or lien held by the Agent on behalf of the Lenders for the liabilities of any Person who is a guarantor or surety for the Guaranteed Indebtedness or any portion thereof. Each Guarantor agrees that the Agent on behalf of the Lenders may do any of the above as it deems necessary or advisable, in its sole discretion, without giving any notice to any Guarantor, and that each Guarantor will remain liable for full payment to the Lenders of the Guaranteed Indebtedness.

9. Each Guarantor agrees to be jointly and severally bound by the terms of this Guarantee and jointly and severally liable under this Guarantee. As a result of such liability, each Guarantor acknowledges that the Lenders may, in their sole discretion, elect to enforce this Guarantee for the total Guaranteed Indebtedness against any Guarantor without any duty or responsibility to pursue the other Guarantors and that such an election by the Lenders shall not be a defense to any action the Agent on behalf of the Lenders may elect to take against any Guarantor.

10. If any amount owing hereunder shall have become due and payable (by acceleration or otherwise), any Lender and any branch, subsidiary or affiliate of any Lender anywhere in the world shall each have the right, at any time and from time to time to the fullest extent permitted by Law, in addition to all other rights and remedies available to it, without prior notice to any Guarantor, to set-off against and to appropriate and apply to such due and payable amounts any debt owing to, and any other funds held in any manner for the account of any Guarantor by any Lender or any such branch, subsidiary or affiliate including, without limitation, all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by any Guarantor with any Lender or such branch, subsidiary or affiliate. Such right shall exist whether or not any Lender shall have given notice or made any demand hereunder or under any of the Notes or Loan Documents, whether or not such debt owing to or funds held for the account of any Guarantor is or are matured or unmatured, and regardless of the existence or adequacy of any collateral, guarantee or any other security, right or remedy available to any Lender. Each Guarantor hereby consents to and confirms the foregoing arrangements, and confirms each Lenders rights and each such branch's, subsidiary's and affiliate's rights of banker's lien and set-off.

11. Each Guarantor recognizes and agrees that the Borrower, after the date hereof, may incur additional Obligations or other obligations, fees and expenses to the Lenders under the

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Credit Agreement, refinance existing Guaranteed Indebtedness or pay existing Guaranteed Indebtedness and subsequently incur additional Obligations to the Lenders under the Credit Agreement, and that in any such transaction, even if such transaction is not now contemplated, the Lenders will rely in any such case upon this Guarantee and the enforceability thereof against each Guarantor and that this Guarantee shall remain in full force and effect with respect to such future Obligations of the Borrower to the Lenders and such Obligations shall for all purposes constitute Guaranteed Indebtedness.

12. Each Guarantor further agrees that, if at any time all or any part of any payment, from whomever received, theretofore applied by the Lenders to any of the Guaranteed Indebtedness is or must be rescinded or returned by the Lenders for any reason whatsoever including, without limitation, the insolvency, bankruptcy or reorganization of any Guarantor, such liability shall, for the purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by any Lender, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such liabilities, all as though such application by the Lenders had not been made.

13. Each Guarantor agrees that no failure or delay on the part of any Lender or of the Agent on behalf of the Lenders to exercise any of its rights, powers or privileges under this Guarantee shall be a waiver of such rights, powers or privileges or a waiver of any default, nor shall any single or partial exercise of any of the Agent's or of any Lenders' rights, powers or privileges preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed as a waiver of any default. Each Guarantor further agrees that no waiver or modification of any rights of the Lenders or of the Agent under this Guarantee shall be effective unless in writing and signed by each Lender and the Agent. Each Guarantor further agrees that each written waiver shall extend only to the specific instance actually recited in such written waiver and shall not impair the rights of any Lender or of the Agent in any other respect.

14. Each Guarantor unconditionally agrees to pay all costs and expenses, including attorney's fees, incurred by the Agent on behalf of the Lenders in enforcing this Guarantee against any Guarantor.

15. Each Guarantor agrees that this Guarantee and the rights and obligations of the parties hereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of New Jersey without giving effect to its principles of conflict of laws.

16. Each Guarantor acknowledges that in addition to binding itself to this Guarantee, at the time of execution of this Guarantee the Agent offered to such Guarantor a copy of this Guarantee in the form in which it was executed and that by acknowledging this fact such Guarantor may not later be able to claim that a copy of the Guarantee was not received by it.

17. Each Guarantor agrees that this Guarantee shall be binding upon each Guarantor and its successors and assigns; provided, however, that no Guarantor may assign or transfer any of its rights and obligations hereunder or any interest herein. Each Guarantor further agrees that (i) this Guarantee is freely assignable and transferable by the Lenders in connection with any

assignment or transfer of the Guaranteed Indebtedness and (ii) this Guarantee shall inure to the benefit of the Lenders, and their successors and assigns.

18. Each Guarantor agrees that if any Guarantor fails to perform any covenant or agreement hereunder or if there occurs and continues to exist an Event of Default under the Credit Agreement, all or any part of the Guaranteed Indebtedness may be declared to be forthwith due and payable and, in the case of an Event of Default described in Section 8.1.14 [Involuntary Proceedings] or Section 8.1.15 [Voluntary Proceedings] of the Credit Agreement, the Guaranteed Indebtedness shall be immediately due and payable, in any case without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

19. Each Guarantor agrees that the enumeration of the Lenders' rights and remedies set forth in this Guarantee is not intended to be exhaustive and the exercise by any of the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement among the parties to the Loan Documents or which may now or hereafter exist at law or in equity or by suit or otherwise.

20. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Guarantee shall be given to each of the Guarantors at the address set forth below their respective names on the signature page hereof in the manner provided in Section 10.6 [Notices] of the Credit Agreement.

21. (a) Each Guarantor agrees that the provisions of this Guarantee are severable, and in an action or proceeding involving any state or federal bankruptcy, insolvency or other law affecting the rights of creditors generally:

(i) if any clause or provision shall be held invalid or 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 other clause or provision in this Guarantee in any jurisdiction.

(ii) if this Guarantee would be held or determined to be void, invalid or unenforceable on account of the amount of a Guarantor's aggregate liability under this Guarantee, then, notwithstanding any other provision of this Guarantee to the contrary, the aggregate amount of such liability shall, without any further action by the Lenders, such Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding, which (without limiting the generality of the foregoing) may be an amount which is not greater than the greater of:

(A) the fair consideration actually received by such Guarantor under the terms of and as a result of the Loan Documents, including, without limiting the generality of the foregoing, and to the extent not inconsistent with applicable federal and state laws affecting the enforceability of guarantees, distributions or advances made to such Guarantor with the proceeds of any credit extended under the Loan Documents in exchange for its guaranty of the Guaranteed Indebtedness, or

(B) the excess of (1) the amount of the fair saleable value of the assets of such Guarantor as of the date of this Guarantee as determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors as in effect on the date thereof over (2) the amount of all liabilities of such Guarantor as of the date of this Guarantee, also as determined on the basis of applicable federal and state laws governing the insolvency of debtors as in effect on the date thereof.

(b) If the guarantee by any one or more Guarantors of the Guaranteed Indebtedness is held or determined to be void, invalid or unenforceable, in whole or in part, such holding or determination shall not impair or affect:

(i) the validity and enforceability of the guarantee hereunder by any other Guarantor, which shall continue in full force and effect in accordance with its terms; or

(ii) the validity and enforceability of any clause or provision not so held to be void, invalid or unenforceable.

22. EACH GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE. EACH GUARANTOR (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND EXECUTION AND DELIVERY HEREOF BY EACH GUARANTOR, AND (ii) ACKNOWLEDGES THAT THE ENTERING INTO OF THE CREDIT AGREEMENT BY THE LENDERS HAS BEEN INDUCED BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS SET FORTH IN THIS SECTION.

23. Each Guarantor (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Superior Court of New Jersey, Law Division, Middlesex County, or any successor to said court, and to the nonexclusive jurisdiction of the United States District Court for the District of New Jersey, or any successor to said court (hereinafter referred to as the "New Jersey Courts") for purposes of any suit, action or other proceeding which relates to this Guarantee or any other Loan Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New Jersey Courts; that such suit, action or proceeding is brought in an inconvenient forum; that the venue of such suit, action or proceeding is improper; or that this Guarantee or any Loan Document may not be enforced in or by the New Jersey Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New Jersey Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New Jersey Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 20 hereof and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Lenders right to bring any suit, action or other proceeding

against any Guarantor or any of any Guarantor's assets or to serve process on any Guarantor by any means authorized by Law.

24. Each Guarantor waives all defenses based on suretyship not specifically waived.

25. At any time when the Borrower wishes to cause the Lenders to release a Guarantor from its obligations under this Guarantee (whether directly or in connection with the designation of a Restricted Subsidiary as a Non-Restricted Person), the consent of the Lenders shall be required as described below and shall be subject to the other provisions of this Section 25.

(a) For the release of (i) any Guarantor whose assets are principally comprised of residential or commercial property which is leased or held for the purposes of leasing to unaffiliated third parties or (ii) any Guarantor in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment less than \$1,000,000 or (iii) Corporate Office Subsidiary incident to it becoming a Non-Restricted Person or (iv) any Guarantor at the time such Guarantor enters into a newly-formed Joint Venture with a person which is not an Affiliate of the Loan Parties and transfers all or a substantial portion of its assets to such Joint Venture provided that such Guarantor is a Non-Restricted Person (or simultaneously with Borrower's request for such release the Borrower has designated such Guarantor as a "Non-Restricted Person" in compliance with Section 2.11.2 of the Credit Agreement), no consent of the Lenders shall be required and such request of the Borrower shall be granted absent an Event of Default or Potential Default, effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such request;

(b) For the release of any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$1,000,000 and less than \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of Required Lenders shall be required; and

(c) For the release of Hovnanian or any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of 100% of the Lenders shall be required.

(d) The designation of a Person as a Non-Restricted Person for any reason shall not itself constitute a release of any Guarantor and any such release of such Person shall be in accordance with Section 2.11 of the Credit Agreement.

26. All of the terms, conditions and provisions of Sections 7.1 [Affirmative Covenants], Section 7.2 [Negative Covenants] and Section 7.3 [Reporting Requirements] of the Credit Agreement are incorporated herein by reference as if fully set forth herein. Each of the Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all

Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Credit Agreement and the satisfaction of the Guaranteed Indebtedness under this Guarantee and termination of the Commitments, they shall comply with the affirmative covenants set forth in Section 7.1 [Affirmative Covenants] of the Credit Agreement, comply with the negative covenants set forth in Section 7.2 [Negative Covenants] of the Credit Agreement and comply Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Credit Agreement and the satisfaction of the Guaranteed Indebtedness under this Guarantee and termination of the Commitments, they shall comply with the affirmative covenants set forth in Section 7.1 [Affirmative Covenants] of the Credit Agreement, comply with the negative covenants set forth in Section 7.2 [Negative Covenants] of the Credit Agreement and comply with Section 7.3 [Reporting Requirements] of the Credit Agreement. In particular, each of the Guarantors shall not own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Guarantee as a Guarantor on the Closing Date, (ii) any Subsidiary formed or acquired after the Closing Date which joins this Guarantee as a Guarantor pursuant to Section 27 below or (iii) any Non-Restricted Person. To the extent that the obligations set forth in Section 7.3 [Reporting Requirements] are obligations which, by their nature, can only be performed and/or satisfied by the Borrower and/or by Hovnanian, each of the Guarantors shall fully cooperate with the Borrower and with Hovnanian in their respective efforts to comply with their respective obligations set forth therein.

27. Any Subsidiary of Hovnanian which is required to join this Guarantee as a Guarantor pursuant to Section 26 hereof or which is to become a Restricted Subsidiary shall execute and deliver to the Agent (i) a Guarantor Joinder pursuant to which it shall join as a Guarantor this Guarantee; and (ii) at the request of the Agent, documents in the forms described in Section 6.1 [First Loans and Letters of Credit] of the Credit Agreement, modified as appropriate to relate to such new Guarantor. Such new Guarantor shall deliver such Guarantor Joinder and any related documents that the Agent may reasonably request to the Agent after the formation thereof and its designation as a Restricted Subsidiary, and such Subsidiary shall not be a Restricted Subsidiary until the delivery and effectiveness of the items required herein.

28. All of the representations and warranties of the Guarantors contained herein (either directly or indirectly) or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of the Credit Agreement by any other party, including the Agent and the Lenders, any investigation by the Agent or the Lenders, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Guarantors contained in this Guarantee shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit under the Credit Agreement, and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit.

29. Notwithstanding the other provisions contained herein, at such time as the Guaranteed Indebtedness shall have been paid in full, this Guarantee and all obligations of the Agent and each Guarantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party. At the request and sole expense of the Guarantors, following any such termination, the Agent shall execute and deliver to the Guarantors such documents as the Guarantors shall reasonably request to evidence such termination.

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**[SIGNATURE PAGE 1 OF 35 TO THE GUARANTY AGREEMENT]**

IN WITNESS WHEREOF, each Guarantor and the Agent, intending to be legally bound, have executed this Guarantee on the date first above written.

**HOVNIANIAN ENTERPRISES, INC.**

By: \_\_\_\_\_

Name: J. Larry Sorsby

Title: Executive Vice President and Chief  
Financial Officer

ARROW PROPERTIES, INC.

HOVNIANIAN DEVELOPMENTS OF FLORIDA,  
INC.

K. HOV INTERNATIONAL, INC.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNIANIAN ACQUISITIONS, INC.

K. HOVNIANIAN AT BALLANTRAE, INC.

K. HOVNIANIAN AT BERNARDS IV, INC.

K. HOVNIANIAN AT BRANCHBURG III, INC.

K. HOVNIANIAN AT BRIDGEPORT, INC.

K. HOVNIANIAN AT BRIDGEWATER VI, INC.

K. HOVNIANIAN AT BURLINGTON III, INC.

K. HOVNIANIAN AT BURLINGTON, INC.

K. HOVNIANIAN AT CALABRIA, INC.

K. HOVNIANIAN AT CARMEL DEL MAR, INC.

K. HOVNIANIAN AT CASTILE, INC.

K. HOVNIANIAN AT CHAPARRAL, INC.

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**[SIGNATURE PAGE 2 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN AT CLARKSTOWN, INC.

K. HOVNIANIAN AT CRESTLINE, INC.

K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNIANIAN AT EAST WHITELAND I, INC.

K. HOVNIANIAN AT FREEHOLD TOWNSHIP I,  
INC.

K. HOVNIANIAN AT HERSHEY'S MILL, INC.

K. HOVNIANIAN AT HACKETTSTOWN, INC.

K. HOVNIANIAN AT HIGHLAND VINEYARDS,  
INC.

K. HOVNIANIAN AT HOPEWELL IV, INC.



K. HOVNANIAN AT HOPEWELL VI, INC.  
K. HOVNANIAN AT HOWELL TOWNSHIP,  
INC.  
K. HOVNANIAN AT KINGS GRANT I, INC.  
K. HOVNANIAN AT KLOCKNER FARMS, INC.  
K. HOVNANIAN AT LA TERRAZA, INC.  
K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.  
K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.

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**[SIGNATURE PAGE 3 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT MARLBORO TOWNSHIP  
IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT NORTHERN  
WESTCHESTER, INC.  
K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.  
K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CRISTIANITOS,  
INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.  
K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.

K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOUTH BRUNSWICK III,  
INC.

---

**[SIGNATURE PAGE 4 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SOUTH BRUNSWICK V,  
INC.

K. HOVNANIAN AT STONE CANYON, INC.

K. HOVNANIAN AT STONY POINT, INC.

K. HOVNANIAN AT SYCAMORE, INC.

K. HOVNANIAN AT TANNERY HILL, INC.

K. HOVNANIAN AT THE BLUFF, INC.

K. HOVNANIAN AT THE CEDARS, INC.

K. HOVNANIAN AT THORNBURY, INC.

K. HOVNANIAN AT TIERRASANTA, INC.

K. HOVNANIAN AT TUXEDO, INC.

K. HOVNANIAN AT UNION TOWNSHIP I, INC.

K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP I, INC.

K. HOVNANIAN AT UPPER MAKEFIELD I,  
INC.

K. HOVNANIAN AT VAIL RANCH, INC.

K. HOVNANIAN AT WALL TOWNSHIP VI,  
INC.

K. HOVNANIAN AT WALL TOWNSHIP VIII,  
INC.

K. HOVNANIAN AT WASHINGTONVILLE,  
INC.

K. HOVNANIAN AT WAYNE III, INC.

K. HOVNANIAN AT WAYNE V, INC.

K. HOVNANIAN AT WILDROSE, INC.

K. HOVNANIAN COMPANIES NORTHEAST,  
INC.

---

**[SIGNATURE PAGE 5 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN COMPANIES OF  
CALIFORNIA, INC.

K. HOVNANIAN COMPANIES OF  
MARYLAND, INC.

K. HOVNANIAN COMPANIES OF METRO  
WASHINGTON, INC.

K. HOVNANIAN COMPANIES OF NEW YORK,  
INC.

K. HOVNIANIAN COMPANIES OF NORTH  
CAROLINA, INC.

K. HOVNIANIAN COMPANIES OF  
PENNSYLVANIA, INC.

K. HOVNIANIAN COMPANIES OF SOUTHERN  
CALIFORNIA, INC.

K. HOVNIANIAN CONSTRUCTION II, INC.

K. HOVNIANIAN CONSTRUCTION III, INC.

K. HOVNIANIAN CONSTRUCTION  
MANAGEMENT, INC.

K. HOVNIANIAN DEVELOPMENT OF METRO  
WASHINGTON, INC.

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  
ILLINOIS, INC.

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**[SIGNATURE PAGE 6 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN DEVELOPMENTS OF  
MARYLAND, INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO  
WASHINGTON, INC.

K. HOVNIANIAN DEVELOPMENTS OF  
MICHIGAN, 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 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 WEST  
VIRGINIA, INC.

K. HOVNANIAN ENTERPRISES, INC.  
K. HOVNANIAN EQUITIES, INC.  
K. HOVNANIAN FORECAST HOMES, INC.  
K. HOVNANIAN HOMES OF NORTH  
CAROLINA, INC.  
K. HOVNANIAN HOMES OF VIRGINIA, INC.

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**[SIGNATURE PAGE 7 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN INVESTMENT PROPERTIES  
OF NEW JERSEY, INC.  
K. HOVNANIAN PA REAL ESTATE, INC.  
K. HOVNANIAN PORT IMPERIAL URBAN  
RENEWAL, INC.  
K. HOVNANIAN PROPERTIES OF NEWARK  
URBAN RENEWAL CORPORATION, INC.  
K. HOVNANIAN PROPERTIES OF NORTH  
BRUNSWICK V, INC.  
K. HOVNANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION  
CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION,  
INC.  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC.

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**[SIGNATURE PAGE 8 OF 35 TO THE GUARANTY AGREEMENT]**

WH PROPERTIES, INC.

By: \_\_\_\_\_

J. Larry Sorsby  
On behalf of, and as Executive Vice  
President and Chief Financial Officer of  
each of the foregoing corporations

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN HOMES OF D.C., L.L.C.

By: K. Hovnianian Developments of D.C., Inc.,  
as the sole member of the foregoing limited  
liability company

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNIANIAN LAND INVESTMENT GROUP OF  
MARYLAND, L.L.C.

HOVNIANIAN LAND INVESTMENT GROUP OF  
NORTH CAROLINA, L.L.C.

HOVNIANIAN LAND INVESTMENT GROUP,  
L.L.C.

K. HOVNIANIAN AT KING FARM, L.L.C.

K. HOVNIANIAN AT RODERUCK. L.L.C.

K. HOVNIANIAN AT WILLOW BROOK, L.L.C.

K. HOVNIANIAN COMPANIES OF METRO D.C.  
NORTH, L.L.C.

---

**[SIGNATURE PAGE 9 OF 35 TO THE GUARANTY AGREEMENT]**

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 ST.  
MARGARETS LANDING, L.L.C.

RIDGEMORE UTILITY, L.L.C.

WASHINGTON HOMES AT COLUMBIA TOWN  
CENTER, L.L.C.

WESTMINSTER HOMES OF ALABAMA, L.L.C.

WESTMINSTER HOMES OF MISSISSIPPI,  
L.L.C.

WOODLAND LAKES CONDOS @ BOWIE  
NEWTOWN, L.L.C.

By: K. Hovnianian Developments of Maryland,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart

Secretary

DULLES COPPERMINE, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF  
VIRGINIA, L.L.C.

K. HOVNANIAN AT LAKE RIDGE CROSSING,  
L.L.C.

K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

---

**[SIGNATURE PAGE 10 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN FOUR SEASONS AT  
HISTORIC VIRGINIA, L.L.C.

K. HOVNANIAN HOMES AT CAMERON  
STATION, L.L.C.

K. HOVNANIAN HOMES AT LAUREL  
HIGHLANDS, L.L.C.

K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
ASHBURN VILLAGE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT VINT  
HILL, L.L.C.

By: K. Hovnanian Developments of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

EDISON CONTRACT SERVICES, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.

K. HOVNANIAN AT BERKELEY, L.L.C.

K. HOVNANIAN AT BERNARDS V, L.L.C.

K. HOVNANIAN AT BLUE HERON PINES,  
L.L.C.

K. HOVNANIAN AT BRIDGEWATER I, L.L.C

K. HOVNANIAN AT CAMDEN I, L.L.C.

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**[SIGNATURE PAGE 11 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.

K. HOVNANIAN AT CHESTER I, L.L.C.

K. HOVNANIAN AT CHESTERFIELD, L.L.C.

K. HOVNANIAN AT CLIFTON II, L.L.C.  
K. HOVNANIAN AT CLIFTON, L.L.C.  
K. HOVNANIAN AT CRANBURY, L.L.C.  
K. HOVNANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNANIAN AT DENVILLE, L.L.C.  
K. HOVNANIAN AT DEPTFORD TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT EDGEWATER II, L.L.C.  
K. HOVNANIAN AT EDGEWATER, L.L.C.  
K. HOVNANIAN AT EGG HARBOR  
TOWNSHIP, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT GREAT NOTCH, L.L.C.  
K. HOVNANIAN AT GUTTENBERG, L.L.C.  
K. HOVNANIAN AT HACKETTSTOWN II,  
L.L.C.

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**[SIGNATURE PAGE 12 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT HAMBURG  
CONTRACTORS, L.L.C.  
K. HOVNANIAN AT HAMBURG, L.L.C.  
K. HOVNANIAN AT HAWTHORNE, L.L.C.  
K. HOVNANIAN AT JACKSON I, L.L.C.  
K. HOVNANIAN AT JACKSON, L.L.C.  
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNANIAN AT JERSEY CITY V URBAN  
RENEWAL COMPANY, L.L.C.  
K. HOVNANIAN AT LAFAYETTE ESTATES,  
L.L.C.  
K. HOVNANIAN AT LAWRENCE V, L.L.C.  
K. HOVNANIAN AT LINWOOD, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR  
TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR  
CONTRACTORS, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR,  
L.L.C.

K. HOVNANIAN AT LONG BRANCH I, 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 MARLBORO TOWNSHIP  
IX, L.L.C.  
K. HOVNANIAN AT MARLBORO TOWNSHIP  
V, L.L.C.

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**[SIGNATURE PAGE 13 OF 35 TO THE GUARANTY AGREEMENT]**

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 MENDHAM TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT MIDDLE TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNANIAN AT MILLVILLE I, L.L.C.  
K. HOVNANIAN AT MILLVILLE II, L.L.C.  
K. HOVNANIAN AT MONROE III, L.L.C.  
K. HOVNANIAN AT MONROE IV, L.L.C.  
K. HOVNANIAN AT MONTVALE, L.L.C.  
K. HOVNANIAN AT MT. OLIVE TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT NORTH BERGEN II, 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,  
L.L.C.  
K. HOVNANIAN AT NORTH HALEDON, L.L.C.  
K. HOVNANIAN AT NORTH WILDWOOD,  
L.L.C.

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**[SIGNATURE PAGE 14 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT NORTHFIELD, L.L.C.



K. HOVNIANIAN AT OLD BRIDGE, L.L.C.

K. HOVNIANIAN AT PARAMUS, L.L.C.

K. HOVNIANIAN AT PARSIPPANY-TROY  
HILLS, L.L.C.

K. HOVNIANIAN AT PITTSBORO, L.L.C.

K. HOVNIANIAN AT RANDOLPH I, L.L.C.

K. HOVNIANIAN AT READINGTON II, L.L.C.

K. HOVNIANIAN AT RED BANK, L.L.C.

K. HOVNIANIAN AT SAYREVILLE, L.L.C.

K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNIANIAN AT SMITHVILLE III, L.L.C.

K. HOVNIANIAN AT SOMERS POINT, L.L.C.

K. HOVNIANIAN AT SOUTH BRUNSWICK,  
L.L.C.

K. HOVNIANIAN AT SPRINGFIELD, L.L.C.

K. HOVNIANIAN AT TEANECK, L.L.C.

K. HOVNIANIAN AT UNION TOWNSHIP II,  
L.L.C.

K. HOVNIANIAN AT UPPER FREEHOLD  
TOWNSHIP II, L.L.C.

K. HOVNIANIAN AT UPPER FREEHOLD  
TOWNSHIP III, L.L.C.

K. HOVNIANIAN AT WANAQUE, L.L.C.

K. HOVNIANIAN AT WARREN TOWNSHIP,  
L.L.C.

K. HOVNIANIAN AT WASHINGTON, L.L.C.

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**[SIGNATURE PAGE 15 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN AT WAYNE IX, L.L.C.

K. HOVNIANIAN AT WAYNE VIII, L.L.C.

K. HOVNIANIAN AT WEST MILFORD, L.L.C.

K. HOVNIANIAN AT WEST WINDSOR, L.L.C.

K. HOVNIANIAN AT WOODHILL ESTATES,  
L.L.C.

K. HOVNIANIAN AT WOOLWICH I, L.L.C.

K. HOVNIANIAN CENTRAL ACQUISITIONS,  
L.L.C.

K. HOVNIANIAN INVESTMENTS, L.L.C.

K. HOVNIANIAN NORTH CENTRAL  
ACQUISITIONS, L.L.C.

K. HOVNIANIAN NORTH JERSEY  
ACQUISITIONS, L.L.C.

K. HOVNIANIAN NORTHEAST SERVICES,

L.L.C.

K. HOVNANIAN SHORE ACQUISITIONS,  
L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY,  
L.L.C.

K. HOVNANIAN SOUTH JERSEY  
ACQUISITIONS, L.L.C.K. HOVNANIAN T&C  
INVESTMENT, L.L.C.

K. HOVNANIAN'S PRIVATE HOME  
PORTFOLIO, L.L.C.

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**[SIGNATURE PAGE 16 OF 35 TO THE GUARANTY AGREEMENT]**

KHIP, L.L.C. By: K. Hovnanian Holdings NJ,  
L.L.C., as the sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of New  
Jersey, Inc., as member

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and  
Chief Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

AND

By: K. Hovnanian Developments of New  
Jersey II, Inc., as member

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and  
Chief Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
CALIFORNIA, L.L.C.

K. HOVNANIAN AT 4S II, L.L.C.

K. HOVNANIAN AT 4S, L.L.C.

K. HOVNANIAN AT ACQUA VISTA, L.L.C.

K. HOVNANIAN AT ALISO, L.L.C.

K. HOVNANIAN AT ARBOR HEIGHTS, L.L.C.

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**[SIGNATURE PAGE 17 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT BELLA LAGO, L.L.C.

K. HOVNANIAN AT BRIDLEWOOD, L.L.C.

K. HOVNANIAN AT CAPISTRANO, L.L.C.

K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.

K. HOVNANIAN AT CITY IN THE HILLS,  
L.L.C.

K. HOVNANIAN AT CORTEZ HILL, L.L.C.

K. HOVNANIAN AT EASTLAKE, L.L.C.

K. HOVNANIAN AT ENCINITAS RANCH,  
L.L.C.

K. HOVNANIAN AT GASLAMP SQUARE,  
L.L.C.

K. HOVNANIAN AT HIGHWATER, L.L.C.

K. HOVNANIAN AT LA COSTA, L.L.C

K. HOVNANIAN AT LA HABRA KNOLLS,  
L.L.C.

K. HOVNANIAN AT MENIFEE, L.L.C.

K. HOVNANIAN AT MOSAIC, L.L.C.

K. HOVNANIAN AT OLDE ORCHARD, L.L.C.

K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.

K. HOVNANIAN AT PARK LANE, L.L.C.

K. HOVNANIAN AT RANCHO SANTA  
MARGARITA, L.L.C.

K. HOVNANIAN AT RIVERBEND II, L.L.C.

K. HOVNANIAN AT RIVERBEND, L.L.C.

K. HOVNANIAN AT ROWLAND HEIGHTS,  
L.L.C.

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**[SIGNATURE PAGE 18 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SHELF COMPANY, L.L.C.

K. HOVNANIAN AT SKYE ISLE, L.L.C.

K. HOVNANIAN AT SUNSETS, L.L.C.

K. HOVNANIAN AT THE CROSBY, L.L.C.

K. HOVNANIAN AT THE GABLES, L.L.C.

K. HOVNANIAN AT THE PRESERVE, L.L.C.

K. HOVNANIAN AT THOMPSON RANCH,  
L.L.C.

K. HOVNANIAN AT TRAIL RIDGE, L.L.C.

K. HOVNANIAN AT WINCHESTER, L.L.C.

K. HOVNANIAN T&C MANAGEMENT CO.,  
L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
BAKERSFIELD, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
HEMET, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
MENIFEE VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM  
SPRINGS, L.L.C.

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**[SIGNATURE PAGE 19 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN'S FOUR SEASONS, L.L.C.

By: K. Hovnanian Developments of California,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN HOLDINGS NJ, L.L.C.

By: K. Hovnanian Developments of New Jersey,  
Inc., as member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

AND

By: K. Hovnanian Developments of New Jersey  
II, Inc., as member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 20 OF 35 TO THE GUARANTY AGREEMENT]**

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 NORTHAMPTON. L.L.C.

K. HOVNANIAN AT RAPHO, L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN II,  
L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNANIAN AT WEST BRADFORD, L.L.C.

K. HOVNANIAN HOMES OF PENNSYLVANIA,  
L.L.C.

K. HOVNANIAN PENNSYLVANIA  
ACQUISITIONS, L.L.C.

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**[SIGNATURE PAGE 21 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN SUMMIT HOMES OF  
PENNSYLVANIA, L.L.C.

By: K. Hovnanian Companies of Pennsylvania,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
FLORIDA, L.L.C.

K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.

K. HOVNANIAN HOMES AT CAMP SPRINGS,  
L.L.C.

K. HOVNANIAN HOMES AT FOREST RUN,  
L.L.C.

K. HOVNANIAN HOMES AT RENAISSANCE  
PLAZA, L.L.C.

K. HOVNANIAN HOMES AT RUSSETT, L.L.C.

K. HOVNANIAN WINDWARD HOMES, L.L.C.

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**[SIGNATURE PAGE 22 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN HOMES OF MARYLAND,  
L.L.C.

By: Hovnanian Developments of Florida, Inc., as  
the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN COMPANIES, LLC

By: K. Hovnanian Enterprises, Inc., as member  
of the foregoing limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

AND

By: K. Hovnanian Developments of New Jersey  
II, Inc., as member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 23 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN EASTERN PENNSYLVANIA,  
L.L.C.

By: K. Hovnanian at Perkiomen II, Inc., as the  
sole member of the foregoing limited  
liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN FOUR SEASONS AT GOLD  
HILL, L.L.C.

K. HOVNIANIAN HOMES OF SOUTH  
CAROLINA, L.L.C.

By: K. Hovnanian Developments of South  
Carolina, Inc., as the sole member of each of  
the foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN GREAT WESTERN BUILDING  
COMPANY, LLC

[SIGNATURE PAGE 24 OF 35 TO THE GUARANTY AGREEMENT]

K. HOVNIANIAN GREAT WESTERN HOMES,  
L.L.C.

By: K. Hovnianian Developments of Arizona, Inc., as the  
sole member of each of the foregoing limited  
liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN AT HIGHLAND SHORES,  
L.L.C.

K. HOVNIANIAN HOMES OF MINNESOTA,  
L.L.C.

By: K. Hovnianian Developments of Minnesota,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN OHIO REALTY, L.L.C.

K. HOVNIANIAN SUMMIT HOMES, L.L.C.

---

[SIGNATURE PAGE 25 OF 35 TO THE GUARANTY AGREEMENT]

MIDWEST BUILDING PRODUCTS &  
CONTRACTOR SERVICES, L.L.C.

By: K. Hovnianian Developments of Ohio, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN HOMES OF WEST VIRGINIA,  
L.L.C.

K. HOVNIANIAN SUMMIT HOMES OF WEST

VIRGINIA, L.L.C.

By: K. Hovnanian Developments of West Virginia, Inc., as the sole member of each of the foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 26 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.

By: K. Hovnanian Developments of Michigan, Inc., as the sole member of the foregoing limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

KINGS COURT AT MONTGOMERY, L.L.C.

M&M AT CHESTERFIELD, L.L.C.

M&M AT KENSINGTON WOODS, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT APPLE RIDGE, L.L.C.

M&M AT BROOKHILL, L.L.C.

M&M AT EAST MILL, L.L.C.

M&M AT HERITAGE WOODS, L.L.C.

M&M AT MORRISTOWN, L.L.C.

M&M AT SHERIDAN, L.L.C.

M&M AT SPARTA, L.L.C.

M&M AT SPINNAKER POINTE, L.L.C.

M&M AT SPRUCE HOLLOW, L.L.C.

M&M AT SPRUCE MEADOWS, L.L.C.

M&M AT SPRUCE RUN, L.L.C.

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**[SIGNATURE PAGE 27 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT THE HIGHLANDS, L.L.C.



MATZEL & MUMFORD AT CRANBURY  
KNOLL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR,  
L.L.C.

MATZEL & MUMFORD AT FREEHOLD, L.L.C.

MATZEL & MUMFORD AT HERITAGE  
LANDING, L.L.C.

MATZEL & MUMFORD AT MONTGOMERY,  
L.L.C.

MATZEL & MUMFORD AT PHILLIPSBURG,  
L.L.C.

MATZEL & MUMFORD AT SOUTH  
BRUNSWICK, L.L.C.

MATZEL & MUMFORD AT WOODLAND  
CREST, L.L.C.

THE LANDINGS AT SPINNAKER POINTE,  
L.L.C.

By: The Matzel & Mumford Organization, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 28 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT ROBERT MORRIS, L.L.C.

M&M AT TAMARACK HOLLOW, L.L.C.

M&M AT WHEATENA URBAN RENEWAL,  
L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND  
BROOK URBAN RENEWAL, L.L.C.

MMIP, L.L.C.

By: M&M Investments, LP, as the sole member  
of each of the foregoing limited liability  
companies.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

K. HOVNANIAN HOMES AT FAIRWOOD,  
L.L.C.

K. HOVNIANIAN HOMES AT MAXWELL  
PLACE. L.L.C.

K. HOVNIANIAN HOMES AT MAXWELL  
PLACE. L.L.C.

PADDOCKS, L.L.C.

---

**[SIGNATURE PAGE 29 OF 35 TO THE GUARANTY AGREEMENT]**

PINE AYR, L.L.C.

By: K. Hovnanian Homes of Maryland, L.L.C.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNIANIAN LAND INVESTMENT GROUP OF  
TEXAS, L.L.C.

By: Goodman Family of Builders, L.P., as the  
sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of  
Florida, as general partner of each of  
the foregoing limited partnerships.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and  
Chief Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 30 OF 35 TO THE GUARANTY AGREEMENT]**

NORTH MANATEE, L.L.C.

By: Hovnanian Land Investment Group of  
Florida, L.L.C., as the sole member of the  
foregoing limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

**[SIGNATURE PAGE 31 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT YONKERS III, L.L.C.

By: K. Hovnanian at Northern Westchester, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY CONDOMINIUM, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY, L.L.C.

By: K. Hovnanian Development of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 32 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN HOMES OF DELAWARE,  
L.L.C.

By: K. Hovnanian Developments of Delaware,  
Inc., as the sole member of the foregoing  
limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN AT MENIFEE VALLEY  
CONDOMINIUMS, L.L.C.

By: K. Hovnanian's Four Seasons At Menifee  
Valley, L.L.C.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 33 OF 35 TO THE GUARANTY AGREEMENT]**

GOODMAN FAMILY OF BUILDERS, L.P.

By: K. Hovnanian Developments of Florida, as  
general partner of the foregoing limited  
partnership.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

K. HOVNANIAN OF HOUSTON II, L.P.

K. HOVNANIAN OF HOUSTON, L.P.

By: K. Hovnanian Developments of Texas, Inc.,  
as general partner of each of the foregoing  
limited partnerships.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 34 OF 35 TO THE GUARANTY AGREEMENT]**

M&M INVESTMENTS, L.P.

By: The Matzel & Mumford Organization, Inc.,  
as general partner of the foregoing limited  
partnership.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

Address for Notices for each of the foregoing  
Guarantors:

c/o K. Hovnanian Enterprises, Inc.  
10 Route 35, P.O. Box 500  
Red Bank, NJ 07701  
Attention: Kevin C. Hake  
Telephone: (732) 747-7800  
Telecopy: (732) 747-6835

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**[SIGNATURE PAGE 35 OF 35 TO THE GUARANTY AGREEMENT]**

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EXHIBIT 1.1.(G)(2)**

**FORM OF  
JOINDER AND ASSUMPTION AGREEMENT**

This JOINDER AND ASSUMPTION AGREEMENT is made \_\_\_\_\_ by \_\_\_\_\_, a \_\_\_\_\_ (the "New Guarantor").

BACKGROUND

Reference is made to (i) the Fifth Amended and Restated Credit Agreement dated June 14, 2005 as the same has been made and may be modified, supplemented or amended, including on the date hereof, (the "Agreement") among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for itself and the other Lenders under the Credit Agreement (the "Agent"), (ii) the Guaranty Agreement of each of the Guarantors issued to Lenders and Agent, as the same may be modified, supplemented or amended, and (iii) the other Loan Documents referred to in the Agreement, as the same may be modified, supplemented or amended. Capitalized terms defined in the Agreement are used herein as defined therein.

In consideration of the New Guarantor becoming a Guarantor entitled to receive loans or advances from Borrower under the terms of the Agreement and in consideration of the value of the synergistic benefits received by New Guarantor as a result of becoming affiliated with Borrower and the Guarantors, the New Guarantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Guarantor under the Agreement, the Guaranty Agreement and each of the other Loan Documents to which the Guarantors are a party and agrees that from the date hereof and so long as the Commitment of any Lender shall remain outstanding and until the payment in full of the Loans and the Notes and the performance of all other obligations of Borrower under the Loan Documents, New Guarantor has assumed the obligations of a Guarantor under, and New Guarantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of the Agreement, the Guaranty Agreement and each of the other Loan Documents which are stated to apply to or are made by a Guarantor. Without limiting the generality of the foregoing, the New Guarantor hereby represents and warrants that (i) each of the representations and warranties set forth in Section 5 of the Agreement is true and correct as to New Guarantor on and as of the date hereof as if made on and as of the date hereof by New Guarantor and (ii) New Guarantor has heretofore received a true and correct copy of the Agreement, the Guaranty Agreement and each of the other Loan Documents (including any modifications thereof or supplements or waivers thereto) as in effect on the date hereof.

New Guarantor hereby makes, affirms, and ratifies in favor of the Lenders and the Agent the Agreement, the Guaranty Agreement and each of the other Loan Documents given by the Guarantors to Agent and any of the Lenders.

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In furtherance of the foregoing, New Guarantor 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 or proper in the opinion of Agent to carry out more effectively the provisions and purposes of this Joinder and Assumption Agreement.

IN WITNESS WHEREOF, the New Guarantor has duly executed this Joinder and Assumption Agreement and delivered the same to the Agent for the benefit of the Lenders, as of the date and year first above written.

[NAME OF NEW  
GUARANTOR]

By: \_\_\_\_\_

Title: \_\_\_\_\_

Acknowledged and accepted:

PNC BANK, NATIONAL ASSOCIATION, as Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 1.1 (R)**

**FORM OF  
[AMENDED AND RESTATED] REVOLVING CREDIT NOTE**

Pittsburgh, Pennsylvania  
, 2005

\$

FOR VALUE RECEIVED, the undersigned, K. HOVNANIAN ENTERPRISES, INC., a California corporation (herein called the "Borrower"), hereby promises to pay to the order of \_\_\_\_\_ (the "Lender") the lesser of (i) the principal sum of \_\_\_\_\_ U.S. Dollars (U.S. \$ \_\_\_\_\_), and (ii) the aggregate unpaid principal balance of all Revolving Credit Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Fifth Amended and Restated Credit Agreement dated June 14, 2005 among the Borrower, Hovnanian Enterprises, Inc., as a Guarantor, the Lenders now or hereafter party thereto, PNC Bank, National Association, as administrative agent for the Lenders (the "Agent") and the Lender (the "Credit Agreement"), payable on the Expiration Date.

The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate or rates per annum specified by the Borrower pursuant to Section 3.1 of, or as otherwise provided in, the Credit Agreement.

To the extent permitted by Law, upon the occurrence of an Event of Default under Sections 8.1.1, 8.1.10, 8.1.14 and/or 8.1.15 of the Credit Agreement, or the Obligations are accelerated under the Credit Agreement, and until such time such Event of Default shall have been cured or waived, the Borrower shall pay interest on all past due principal and all past due accrued interest thereon and fees and expenses and each other past due Obligation at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional three hundred basis points (3.0% per annum) from the time such Obligation becomes due and payable and until it is paid in full (the "Default Rate").

Interest on this Revolving Credit Note will be payable as provided in the Credit Agreement.

If any payment or action to be made or taken hereunder shall be stated to be or become due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day (or the prior Business Day in respect of certain Revolving Credit Loans to which the LIBO-Rate Option applies) and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature at the Principal Office of the Agent, in lawful money of the United States of America in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement and the other Loan Documents, including the representations, warranties, covenants, conditions, security interests or liens contained or granted therein. The Credit Agreement among other things contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayment, in certain circumstances, on account of principal hereof prior to maturity upon the terms and conditions therein specified.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings given to such terms in the Credit Agreement.

Except as otherwise provided in the Credit Agreement, the Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Credit Agreement.

This Note shall bind the Borrower and its successors and assigns, and the benefits hereof shall inure to the benefit of the Lender, the Agent and their successors and assigns. All references herein to the "Borrower", the "Lender" and the "Agent" shall be deemed to apply to the Borrower, the Lender and the Agent, respectively, and their respective successors and assigns.

[This Note replaces and supersedes the Amended and Restated Revolving Credit Note dated June 18, 2004, in the principal amount of \$ \_\_\_\_\_, (the "Prior Note"). To the extent that the principal balance of this Note includes the Borrower's indebtedness hitherto evidenced by the Prior Note, this Note (i) merely re-evidences the indebtedness hitherto evidenced by the Prior Note, (ii) is given as substitution for, and not as payment of, the Prior Note, and (iii) is in no way intended to constitute a novation of the Prior Note. Maker hereby agrees that this Note shall in all respects take the place of and include the principal amount of the Prior Note.]

This Note and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed by and construed and enforced in accordance with the internal laws of the State of New Jersey without giving effect to its conflicts of law principles.

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 1.1(S)**  
**FORM OF**  
**SWING LOAN NOTE**

\$

East Brunswick, New Jersey

FOR VALUE RECEIVED, the undersigned, K. HOVNIANIAN ENTERPRISES, INC., a California corporation (herein called the "Borrower"), hereby promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Lender"), the lesser of (i) the principal sum of \_\_\_\_\_ U.S. Dollars (U.S. \$ \_\_\_\_\_) and (ii) the aggregate unpaid principal amount of all "Swing Loans" made by the Lender to the Borrower pursuant to the Fifth Amended and Restated Credit Agreement dated June 14, 2005, among the Borrower, Hovnianian Enterprises, Inc., as Guarantor, the Lenders now or hereafter party thereto and PNC Bank, National Association, as administrative agent (the "Agent") (as amended, the "Credit Agreement"), payable on the Expiration Date. The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate provided in the Credit Agreement.

Interest hereon will be payable at the times specified in the Credit Agreement.

If any payment of principal or interest on this Note shall be requested or is payable on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with payment.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature at the Principal Office of the Agent in lawful money of the United States of America in immediately available funds.

This Note is the Swing Loan Note and is subject to the provisions of, and is entitled to the security provided for in and the other benefits of the Credit Agreement and the other Loan Documents.

Except as otherwise provided in the Credit Agreement, the Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Credit Agreement.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings assigned to such terms in the Credit Agreement.

This Note shall bind the Borrower and its respective successors and assigns, and the benefits hereof shall inure to the benefit of the Agent, the Lenders and their successors and

assigns. All references herein to the "Borrower," the "Agent" and the "Lenders" shall be deemed to apply to the Borrower, the Agent and the Lenders, respectively, and their respective successors and assigns.

This Note and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of New Jersey without giving effect to the principles of conflict of laws.

**[SIGNATURE PAGE 1 OF 1 TO SWING LOAN NOTE]**

IN WITNESS WHEREOF, the undersigned has executed this Note by its duly authorized officers.

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 2.4.1**

**FORM OF  
LOAN REQUEST**

TO: **PNC BANK, NATIONAL ASSOCIATION, as agent**  
Telephone No.: 732-220-3566  
Telecopier No.: 732-220-3744  
Attention: **Mr. Douglas G. Paul**

FROM: **K. HOVNANIAN ENTERPRISES, INC.**

RE: Fifth Amended and Restated Credit Agreement (the "Credit Agreement") dated June 14, 2005 by and between K. HOVNANIAN ENTERPRISES, INC. (the "Company"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders from time to time parties thereto, and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

A. Pursuant to Section 2.4 of the Credit Agreement the undersigned hereby makes the following Loan Request:

1. Aggregate Principal Amount of Loan [amount shall be in integral multiples of \$500,000 and not be less than \$2,500,000 for each Borrowing Tranche to which the LIBO-Rate Option applies and amount shall be in integral multiples of \$100,000 and not be less than \$500,000 for each Borrowing Tranche to which the Base Rate Option applies] U.S. \$
2. Proposed Borrowing Date: **[must be at least 3 Business Days after receipt by 11:00 a.m. by Agent of this Loan Request with respect to Loans to which the LIBO-Rate Option applies and no earlier than the same day with respect to Loans to which the Base Rate Option applies]**
3. Place of Payment:
4. Length of Interest Period (if LIBO-Rate Option elected): **[must be: one, two, three or six months]**

---

B. Borrower elects that interest on the Loan requested hereby shall be based on the LIBO-Rate Option/Base Rate Option (circle one) and shall be calculated in accordance with Section 3 of the Credit Agreement.

C. As of the date hereof and the date of making of the Loan: the representations and warranties contained in Section 5 of the Credit Agreement are and will be true in all material respects (except representations and warranties that expressly relate solely to an earlier date or time, which representations and warranties were true in all material respects on and as of the specific date referred to therein); and no Event of Default or Potential Default has occurred and is continuing or shall exist. The undersigned certifies to the accuracy of the foregoing.

K. HOVNANIAN ENTERPRISES, INC.

Date: \_\_\_\_\_ By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 2.4.2**

**FORM OF  
SWING LOAN REQUEST**

TO: **PNC BANK, NATIONAL ASSOCIATION**  
Telephone No.: 732-220-3566  
Telecopier No.: 732-220-3744  
Attention: **Mr. Douglas G. Paul**

FROM: **K. HOVNANIAN ENTERPRISES, INC.**

RE: Fifth Amended and Restated Credit Agreement (the "Credit Agreement") dated June 14, 2005 by and among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Lenders (the "Agent"), as amended, restated, supplemented or modified from time to time.

Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

Pursuant to Section 2.4.2 of the Credit Agreement, the undersigned hereby makes the following Swing Loan Request:



1. Aggregate Principal Amount of Swing Loans: US\$  
[amount shall not be less than \$100,000]

2. Proposed Borrowing Date: [this Swing Loan Request must be delivered to PNC Bank not later than 2:00 p.m. Eastern time on the proposed Borrowing Date]

3. As of the date hereof and the date of making of the Swing Loan requested hereby: the representations and warranties of the Loan Parties contained in Section 5 of the Credit Agreement and in the other Loan Documents are and will be true in all material respects (except representations and warranties that expressly relate solely to an earlier date or time, which representations and warranties were true in all material respects on and as of the specific dates or times referred to therein); and no Event of Default or Potential Default has occurred and is continuing or shall exist.

The undersigned hereby certifies the accuracy of the foregoing.

K. HOVNIANIAN ENTERPRISES, INC.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

2

**EXHIBIT 2.12.1-1**

**FORM OF  
REVOLVING CREDIT COMMITMENT INCREASE AGREEMENT**

This Revolving Credit Commitment Increase Agreement (the "Acknowledgement") is made \_\_\_\_\_ by \_\_\_\_\_, a  
(the "Increasing Bank").

Background

Reference is made to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Agreement") by and among K. HOVNIANIAN ENTERPRISES, INC. (the "Borrower"), HOVNIANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto, and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for itself and the other Lenders under the Credit Agreement (the "Agent"). Capitalized terms defined in the Agreement are used herein as defined therein.

Agreement

The Increasing Lender, and each of the other parties hereto agree that, except as set forth below, effective as of the date hereof it shall increase its commitment by \$ \_\_\_\_\_ so that its total commitment shall be \$ \_\_\_\_\_. The Increasing Lender hereby acknowledges that it has heretofore received a new Note in the amount of the commitment as increased as set forth above.

Reference is made to Section 2.12 [Increase in Commitments] of the Agreement. Schedule 1.1(B) hereto sets forth the Commitments of the Increasing Lender and each of the other Lenders after giving effect to the increase on the date hereof. Schedule 1.1(B) to the Agreement is being amended and restated effective on the date hereof to read as set forth on Schedule 1.1(B) hereto. Schedule 1 hereto lists as of the date hereof the amount of Loans under each outstanding Borrowing Tranche. Notwithstanding the foregoing (a) on the date hereof the Borrower shall repay all outstanding Loans to which either of the Base Rate Option or the LIBO-Rate Option applies and simultaneously reborrow a like amount of Loans under each such Interest Rate Option from the Lenders (including the Increasing Lender) according to the Ratable Shares set forth on attached Schedule 1.1(B) and shall be subject to breakage fees and other indemnities provided in Section 4.6.2.

IN WITNESS WHEREOF, the Increasing Lender has duly executed and delivered this Joinder as of the date and year first above written.

[INCREASING LENDER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED AND AGREED TO:

BORROWER:

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_ (SEAL)  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AGENT AND LENDERS:

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

2

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**EXHIBIT 2.12.1-2**

**FORM OF  
LENDER JOINDER AND ASSUMPTION AGREEMENT**

This Lender Joinder and Assumption Agreement (the "Joinder") is made as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") by \_\_\_\_\_, (the "New Commitment Provider").

Background

Reference is made to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 among K. HOVNIANIAN ENTERPRISES, INC. (the "Borrower"), HOVNIANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto and PNC Bank, National Association, as administrative agent (the "Agent") (as the same has been and may hereafter be modified, supplemented or amended the "Agreement"). Capitalized terms defined in the Agreement are used herein as defined therein.

Agreement

In consideration of the Lenders' permitting the New Commitment Provider to become a Lender under the Agreement, the New Commitment Provider agrees that effective as of the Effective Date it shall become, and shall be deemed to be, a Lender under the Agreement and each of the other Loan Documents and agrees that from the Effective Date and so long as the New Commitment Provider remains a party to the Agreement, such New Commitment Provider shall assume the obligations of a Lender under and perform, comply with and be bound by each of the provisions of the Agreement which are stated to apply to a Lender and shall be entitled to the benefits, rights and remedies set forth therein and in each of the other Loan Documents. The New Commitment Provider hereby acknowledges that it has heretofore received a true and correct copy of the Agreement (including any modifications thereof or supplements or waivers thereto) as in effect on the Effective Date [and the executed original of its Note dated the Effective Date issued by the Borrowers under the Agreement in the face amount of \$ \_\_\_\_\_].

The Commitments and Ratable Shares of the New Commitment Provider and each of the other Lenders are as set forth on Schedule 1.1(B) to the Agreement. Schedule 1.1(B) to the Agreement is being amended and restated effective as of the Effective Date hereof to read as set forth on Schedule 1.1(B) hereto. Schedule 1 hereto lists as of the date hereof the amount of Loans under each outstanding Borrowing Tranche. Notwithstanding the foregoing (a) on the date hereof the Borrower shall repay all outstanding Loans to which either of the Base Rate Option or the LIBO-Rate Option applies and simultaneously reborrow a like amount of Loans under each such Interest Rate Option from the Lenders (including the New Commitment Provider) according to the Ratable Shares set forth on attached Schedule 1.1(B) and shall be subject to breakage fees and other indemnities provided in Section 4.6.2.

The New Commitment Provider is executing and delivering this Joinder as of the Effective Date and acknowledges that (A) it shall share ratably in all Base Rate Loans borrowed by the Borrower on and after the Effective Date; (B) it shall participate in all new LIBO-Rate Loans borrowed by the Borrower on and after the Effective Date according to its Ratable Share; and (C) it shall participate in all Letters of Credit outstanding on the Effective Date according to its Ratable Share.

**[SIGNATURE PAGES FOLLOW]**

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IN WITNESS WHEREOF, the New Commitment Provider has duly executed and delivered this Joinder as of the Effective Date.

[NEW LENDER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED:

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 7.3.3.1**

**FORM OF  
QUARTERLY COMPLIANCE CERTIFICATE**

, 200

PNC Bank, National Association, as Agent  
Two Tower Center, 18th Floor  
East Brunswick, New Jersey 08816  
Attn: Douglas G. Paul, Senior Vice President  
Telecopy: (732) 220-3744

Ladies/Gentlemen:

1. I refer to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Credit Agreement") by and among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor the several LENDERS and other financial institutions from time to time parties thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings. I, \_\_\_\_\_ the \_\_\_\_\_ of the Borrower do hereby certify as of the [month/quarter/year] ended \_\_\_\_\_, 200 (the "Report Date"), that the Borrower is in compliance with the following covenants as more fully set forth and calculated on the spreadsheets attached hereto as Exhibit A - "Borrowing Base Compliance Calculations", Exhibit B - "Summary Covenant Compliance Calculations", and Exhibit C - "Detailed Covenant Compliance Calculations".

2. Transactions subject to the restrictions set forth in Section 7.2.4 of the Credit Agreement with respect to Liquidations, Mergers, Consolidations and Acquisitions are described on the additional page attached hereto.

Compliance? Yes No

3. Transactions subject to the restrictions set forth in Section 7.2.5 of the Credit Agreement with respect to Dispositions of Assets or Subsidiaries are described on the additional page attached hereto.

Compliance? Yes No

4. Transactions subject to the restrictions set forth in Section 7.2.7 of the Credit Agreement with respect to Subsidiaries, Partnerships and Joint Ventures are described on the additional page attached hereto.

Compliance? Yes No

5. Debt Rating. Based on the Debt Rating and the Leverage Ratio, the Applicable Margin to become effective as of \_\_\_\_\_ shall be \_\_\_\_\_.

6. The Loan Parties are in compliance with, and since the most recent prior Report Date has at all times complied with, the provisions of the Credit Agreement, including, without limitation, the representations and warranties contained in Article 6 thereof, except as follows:

7. No event has occurred that is continuing which constitutes an Event of Default or Potential Default, except as follows:

8. With respect to all financial statements delivered by or on behalf of the Loan Parties contemporaneously herewith, such statements are true and correct in all material respects.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Exhibit A to Exhibit 7.3.3.1

Borrowing Base Compliance Calculations

Exhibit B to Exhibit 7.3.3.1

Summary Covenant Compliance Calculations

Exhibit C to Exhibit 7.3.3.1

Detailed Covenant Compliance Calculations

**EXHIBIT 7.3.3.2**

**FORM OF  
BORROWING BASE CERTIFICATE**

PNC BANK, NATIONAL ASSOCIATION, Agent  
Two Tower Center, 18th Floor  
East Brunswick, New Jersey 08816  
Telecopy (732) 220-3744

Attn.: Douglas G. Paul, Senior Vice President

Ladies/Gentlemen:

I refer to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Credit Agreement") among K. HOVNIANIAN ENTERPRISES, INC. (the "Borrower"), HOVNIANIAN ENTERPRISES, INC., as a Guarantor, the LENDERS now or hereafter party thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent").

Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings. I, \_\_\_\_\_, Chief Executive Officer, President, Treasurer, Chief Financial Officer or principal accounting officer of the Borrower, do hereby certify on behalf of the Borrower as of the end of the month ended \_\_\_\_\_, (the "Report Date"), that the "Borrowing Base" and the components thereof are calculated and set forth on the spreadsheet attached hereto as Exhibit A - "Borrowing Base Compliance Calculations".

The undersigned further certifies as follows:

1. The Loan Parties are in compliance with, and since the most recent prior Report Date have at all times complied with, the provisions of the Credit Agreement.
2. No event has occurred that is continuing which constitutes an Event of Default or Potential Default.
3. With respect to all financial statements delivered by or on behalf of the Loan Parties contemporaneously herewith, such statements are true and correct in all material respects.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

IN WITNESS WHEREOF, the undersigned has executed this Borrowing Base Certificate this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Chief Executive Officer, President,  
Treasurer, Chief Financial Officer or  
principal accounting officer

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Exhibit A to Exhibit 7.3.3.2

Borrowing Base Compliance Calculations

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**AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT**

THIS AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT (the "Guarantee") is made and entered into June 14, 2005, by each of the entities listed on the signature pages hereto (each a "Guarantor" and collectively, the "Guarantors"), in favor of PNC BANK, NATIONAL ASSOCIATION, including its successors and assigns, as administrative agent for the Lenders under the Credit Agreement described below (the "Agent").

**BACKGROUND:**

In order to induce the Lenders to make loans to K. Hovnanian Enterprises, Inc., a California corporation (the "Borrower"), in accordance with that certain Fifth Amended and Restated Credit Agreement of even date herewith (as it may hereafter from time to time be amended, restated, modified or supplemented, the "Credit Agreement") by and among the Borrower, Hovnanian Enterprises, Inc. (one of the Guarantors), the Agent, and the Lenders now or hereafter party thereto (the "Lenders"), each Guarantor hereby unconditionally and irrevocably guarantees and becomes surety as though it was a primary obligor for the full and timely payment when due, whether at maturity, by declaration, acceleration or otherwise, of the principal of and interest and fees on all Obligations (as defined in the Credit Agreement), both those now in existence and those that shall hereafter be made, of the Borrower to the Agent and the Lenders under the Credit Agreement and the Notes issued by the Borrower in connection therewith and any extensions, renewals, replacements or refundings thereof, and each and every other obligation or liability (both those now in existence and those that shall hereafter arise and including, without limitation, all costs and expenses of enforcement and collection, including reasonable attorney's fees) of the Borrower to the Lenders under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), and any extensions, renewals, replacements or refundings thereof (hereinafter referred to as the "Guaranteed Indebtedness"), whether or not such Guaranteed Indebtedness or any portion thereof shall hereafter be released or discharged or is for any reason invalid or unenforceable.

1. Capitalized terms used herein and not otherwise defined herein shall have such meanings given to them in the Credit Agreement.

2. Each Guarantor agrees to make such full payment forthwith upon demand of the Agent when the Guaranteed Indebtedness or any portion thereof is due to be paid by the Borrower to the Lenders, whether at stated maturity, by declaration, acceleration or otherwise. Each Guarantor agrees to make such full payment irrespective of whether or not any one or more of the following events has occurred: (i) the Agent has made any demand on the Borrower or the other Guarantors; (ii) the Agent has taken any action of any nature against the Borrower or the other Guarantors; (iii) the Agent has pursued any rights which it has against any other Person who may be liable for the Guaranteed Indebtedness; (iv) the Agent holds or has resorted to any security for the Guaranteed Indebtedness; or (v) the Agent has invoked any other remedy or right it has available with respect to the Guaranteed Indebtedness. Each Guarantor further agrees to make full payment to the Lenders even if circumstances exist which otherwise constitute a legal or equitable discharge of such Guarantor as surety or guarantor.

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3. The terms, conditions and provisions of Section 5.1 [Representations and Warranties] of the Credit Agreement are incorporated herein by reference as if fully set forth in this Guarantee. The Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, make the representations and warranties set forth in Section 5.1 [Representations and Warranties] of the Credit Agreement to the Agent and to each of the Lenders on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Section 6.1 [First Loans and Letters of Credit] and Section 6.2 [Each Additional Loan or Letter of Credit] of the Credit Agreement. In addition, each Guarantor warrants to the Agent and the Lenders that: (i) no other agreement, representation or special condition exists between such Guarantor and the Agent or any Lender regarding the liability of such Guarantor hereunder, nor does any understanding exist between such Guarantor and any Lender that the obligations of such Guarantor hereunder are or will be other than as set forth herein; and (ii) as of the date hereof, such Guarantor has no defense whatsoever to any action or proceeding that may be brought to enforce this Guarantee.

4. Until all of the Guaranteed Indebtedness is paid in full, each Guarantor waives and agrees not to enforce any of the rights of such Guarantor against the Borrower or the other Guarantors, including, but not limited to: (i) any right of such Guarantor to be subrogated in whole or in part to any right or claim with respect to any Guaranteed Indebtedness or any portion thereof to the Lenders which might otherwise arise from payment by any Guarantor to the Lenders on the account of the Guaranteed Indebtedness or any portion thereof; and (ii) any right of any Guarantor to require the marshalling of assets of the Borrower or the other Guarantors which might otherwise arise from payment by any Guarantor to the Lenders on account of the Guaranteed Indebtedness or any portion thereof. If any amount shall be paid to any Guarantor in violation of the preceding sentence, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Lenders and shall forthwith be paid to the Agent and the Lenders to be credited and applied upon the Guaranteed Indebtedness, whether matured or unmatured, in accordance with the terms of the Credit Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waivers set forth in this Section are knowingly made in contemplation of such benefits.

5. Each Guarantor waives promptness and diligence by the Lenders with respect to its rights under the Credit Agreement or any of the other Loan Documents, including, but not limited to, this Guarantee.

6. Each Guarantor waives any and all notice with respect to: (i) acceptance by the Agent on behalf of the Lenders of this Guarantee; (ii) the provisions of any note, instrument or agreement relating to the Guaranteed Indebtedness; and (iii) any default in connection with the Guaranteed Indebtedness.

7. Each Guarantor waives any presentment, demand, notice of dishonor or nonpayment, protest, and notice of protest in connection with the Guaranteed Indebtedness.

8. Each Guarantor agrees that the Lenders may from time to time and as many times as the Lenders, in their sole discretion, deem appropriate, do any of the following without notice to any Guarantor and without adversely affecting the validity or enforceability of this Guarantee:

(i) release, surrender, exchange, compromise, or settle the Guaranteed Indebtedness or any portion thereof; (ii) change, renew, or waive the terms of the Guaranteed Indebtedness or any portion thereof; (iii) change, renew, or waive the terms, including without limitation, the rate of interest charged to the Borrower or any Guarantor, of any note, instrument, or agreement relating to the Guaranteed Indebtedness or any portion thereof; (iv) grant any extension or indulgence with respect to the payment to the Lenders of the Guaranteed Indebtedness or any portion thereof; (v) enter into any agreement of forbearance with respect to the Guaranteed Indebtedness or any portion thereof; (vi) release, surrender, exchange or compromise any security held by the Agent on behalf of the Lenders for the Guaranteed Indebtedness; (vii) release any Person who is a guarantor or surety or who has agreed to purchase the Guaranteed Indebtedness or any portion thereof; and (viii) release, surrender, exchange or compromise any security or lien held by the Agent on behalf of the Lenders for the liabilities of any Person who is a guarantor or surety for the Guaranteed Indebtedness or any portion thereof. Each Guarantor agrees that the Agent on behalf of the Lenders may do any of the above as it deems necessary or advisable, in its sole discretion, without giving any notice to any Guarantor, and that each Guarantor will remain liable for full payment to the Lenders of the Guaranteed Indebtedness.

9. Each Guarantor agrees to be jointly and severally bound by the terms of this Guarantee and jointly and severally liable under this Guarantee. As a result of such liability, each Guarantor acknowledges that the Lenders may, in their sole discretion, elect to enforce this Guarantee for the total Guaranteed Indebtedness against any Guarantor without any duty or responsibility to pursue the other Guarantors and that such an election by the Lenders shall not be a defense to any action the Agent on behalf of the Lenders may elect to take against any Guarantor.

10. If any amount owing hereunder shall have become due and payable (by acceleration or otherwise), any Lender and any branch, subsidiary or affiliate of any Lender anywhere in the world shall each have the right, at any time and from time to time to the fullest extent permitted by Law, in addition to all other rights and remedies available to it, without prior notice to any Guarantor, to set-off against and to appropriate and apply to such due and payable amounts any debt owing to, and any other funds held in any manner for the account of any Guarantor by any Lender or any such branch, subsidiary or affiliate including, without limitation, all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by any Guarantor with any Lender or such branch, subsidiary or affiliate. Such right shall exist whether or not any Lender shall have given notice or made any demand hereunder or under any of the Notes or Loan Documents, whether or not such debt owing to or funds held for the account of any Guarantor is or are matured or unmatured, and regardless of the existence or adequacy of any collateral, guarantee or any other security, right or remedy available to any Lender. Each Guarantor hereby consents to and confirms the foregoing arrangements, and confirms each Lenders rights and each such branch's, subsidiary's and affiliate's rights of banker's lien and set-off.

11. Each Guarantor recognizes and agrees that the Borrower, after the date hereof, may incur additional Obligations or other obligations, fees and expenses to the Lenders under the Credit Agreement, refinance existing Guaranteed Indebtedness or pay existing Guaranteed Indebtedness and subsequently incur additional Obligations to the Lenders under the Credit Agreement, and that in any such transaction, even if such transaction is not now contemplated,

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the Lenders will rely in any such case upon this Guarantee and the enforceability thereof against each Guarantor and that this Guarantee shall remain in full force and effect with respect to such future Obligations of the Borrower to the Lenders and such Obligations shall for all purposes constitute Guaranteed Indebtedness.

12. Each Guarantor further agrees that, if at any time all or any part of any payment, from whomever received, theretofore applied by the Lenders to any of the Guaranteed Indebtedness is or must be rescinded or returned by the Lenders for any reason whatsoever including, without limitation, the insolvency, bankruptcy or reorganization of any Guarantor, such liability shall, for the purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by any Lender, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such liabilities, all as though such application by the Lenders had not been made.

13. Each Guarantor agrees that no failure or delay on the part of any Lender or of the Agent on behalf of the Lenders to exercise any of its rights, powers or privileges under this Guarantee shall be a waiver of such rights, powers or privileges or a waiver of any default, nor shall any single or partial exercise of any of the Agent's or of any Lenders' rights, powers or privileges preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed as a waiver of any default. Each Guarantor further agrees that no waiver or modification of any rights of the Lenders or of the Agent under this Guarantee shall be effective unless in writing and signed by each Lender and the Agent. Each Guarantor further agrees that each written waiver shall extend only to the specific instance actually recited in such written waiver and shall not impair the rights of any Lender or of the Agent in any other respect.

14. Each Guarantor unconditionally agrees to pay all costs and expenses, including attorney's fees, incurred by the Agent on behalf of the Lenders in enforcing this Guarantee against any Guarantor.

15. Each Guarantor agrees that this Guarantee and the rights and obligations of the parties hereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of New Jersey without giving effect to its principles of conflict of laws.

16. Each Guarantor acknowledges that in addition to binding itself to this Guarantee, at the time of execution of this Guarantee the Agent offered to such Guarantor a copy of this Guarantee in the form in which it was executed and that by acknowledging this fact such Guarantor may not later be able to claim that a copy of the Guarantee was not received by it.

17. Each Guarantor agrees that this Guarantee shall be binding upon each Guarantor and its successors and assigns; provided, however, that no Guarantor may assign or transfer any of its rights and obligations hereunder or any interest herein. Each Guarantor further agrees that (i) this Guarantee is freely assignable and transferable by the Lenders in connection with any assignment or transfer of the Guaranteed Indebtedness and (ii) this Guarantee shall inure to the benefit of the Lenders, and their successors and assigns.

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18. Each Guarantor agrees that if any Guarantor fails to perform any covenant or agreement hereunder or if there occurs and continues to exist an Event of Default under the Credit Agreement, all or any part of the Guaranteed Indebtedness may be declared to be forthwith due and payable and, in the case of an Event of Default described in Section 8.1.14 [Involuntary Proceedings] or Section 8.1.15 [Voluntary Proceedings] of the Credit Agreement, the

Guaranteed Indebtedness shall be immediately due and payable, in any case without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

19. Each Guarantor agrees that the enumeration of the Lenders' rights and remedies set forth in this Guarantee is not intended to be exhaustive and the exercise by any of the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement among the parties to the Loan Documents or which may now or hereafter exist at law or in equity or by suit or otherwise.

20. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Guarantee shall be given to each of the Guarantors at the address set forth below their respective names on the signature page hereof in the manner provided in Section 10.6 [Notices] of the Credit Agreement.

21. (a) Each Guarantor agrees that the provisions of this Guarantee are severable, and in an action or proceeding involving any state or federal bankruptcy, insolvency or other law affecting the rights of creditors generally:

(i) if any clause or provision shall be held invalid or 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 other clause or provision in this Guarantee in any jurisdiction.

(ii) if this Guarantee would be held or determined to be void, invalid or unenforceable on account of the amount of a Guarantor's aggregate liability under this Guarantee, then, notwithstanding any other provision of this Guarantee to the contrary, the aggregate amount of such liability shall, without any further action by the Lenders, such Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding, which (without limiting the generality of the foregoing) may be an amount which is not greater than the greater of:

(A) the fair consideration actually received by such Guarantor under the terms of and as a result of the Loan Documents, including, without limiting the generality of the foregoing, and to the extent not inconsistent with applicable federal and state laws affecting the enforceability of guarantees, distributions or advances made to such Guarantor with the proceeds of any credit extended under the Loan Documents in exchange for its guaranty of the Guaranteed Indebtedness, or

(B) the excess of (1) the amount of the fair saleable value of the assets of such Guarantor as of the date of this Guarantee as determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors as in

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effect on the date thereof over (2) the amount of all liabilities of such Guarantor as of the date of this Guarantee, also as determined on the basis of applicable federal and state laws governing the insolvency of debtors as in effect on the date thereof.

(b) If the guarantee by any one or more Guarantors of the Guaranteed Indebtedness is held or determined to be void, invalid or unenforceable, in whole or in part, such holding or determination shall not impair or affect:

(i) the validity and enforceability of the guarantee hereunder by any other Guarantor, which shall continue in full force and effect in accordance with its terms; or

(ii) the validity and enforceability of any clause or provision not so held to be void, invalid or unenforceable.

22. EACH GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE. EACH GUARANTOR (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND EXECUTION AND DELIVERY HEREOF BY EACH GUARANTOR, AND (ii) ACKNOWLEDGES THAT THE ENTERING INTO OF THE CREDIT AGREEMENT BY THE LENDERS HAS BEEN INDUCED BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS SET FORTH IN THIS SECTION.

23. Each Guarantor (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Superior Court of New Jersey, Law Division, Middlesex County, or any successor to said court, and to the nonexclusive jurisdiction of the United States District Court for the District of New Jersey, or any successor to said court (hereinafter referred to as the "New Jersey Courts") for purposes of any suit, action or other proceeding which relates to this Guarantee or any other Loan Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New Jersey Courts; that such suit, action or proceeding is brought in an inconvenient forum; that the venue of such suit, action or proceeding is improper; or that this Guarantee or any Loan Document may not be enforced in or by the New Jersey Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New Jersey Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New Jersey Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 20 hereof and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Lenders right to bring any suit, action or other proceeding against any Guarantor or any of any Guarantor's assets or to serve process on any Guarantor by any means authorized by Law.

24. Each Guarantor waives all defenses based on suretyship not specifically waived.

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25. At any time when the Borrower wishes to cause the Lenders to release a Guarantor from its obligations under this Guarantee (whether directly or in connection with the designation of a Restricted Subsidiary as a Non-Restricted Person), the consent of the Lenders shall be required as described below and shall be subject to the other provisions of this Section 25.

(a) For the release of (i) any Guarantor whose assets are principally comprised of residential or commercial property which is leased or held for the purposes of leasing to unaffiliated third parties or (ii) any Guarantor in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment less than \$1,000,000 or (iii) Corporate Office Subsidiary incident to it becoming a Non-Restricted Person or (iv) any Guarantor at the time such Guarantor enters into a newly-formed Joint Venture with a person which is not an Affiliate of the Loan Parties and transfers all or a substantial portion of its assets to such Joint Venture provided that such Guarantor is a Non-Restricted Person (or simultaneously with Borrower's request for such release the Borrower has designated such Guarantor as a "Non-Restricted Person" in compliance with Section 2.11.2 of the Credit Agreement), no consent of the Lenders shall be required and such request of the Borrower shall be granted absent an Event of Default or Potential Default, effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such request;

(b) For the release of any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$1,000,000 and less than \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of Required Lenders shall be required; and

(c) For the release of Hovnanian or any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of 100% of the Lenders shall be required.

(d) The designation of a Person as a Non-Restricted Person for any reason shall not itself constitute a release of any Guarantor and any such release of such Person shall be in accordance with Section 2.11 of the Credit Agreement.

26. All of the terms, conditions and provisions of Sections 7.1 [Affirmative Covenants], Section 7.2 [Negative Covenants] and Section 7.3 [Reporting Requirements] of the Credit Agreement are incorporated herein by reference as if fully set forth herein. Each of the Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Credit Agreement and the satisfaction of the Guaranteed Indebtedness under this Guarantee and termination of the Commitments, they shall comply with the affirmative covenants set forth in Section 7.1 [Affirmative Covenants] of the Credit Agreement, comply with the negative covenants set forth in Section 7.2 [Negative Covenants] of the Credit Agreement and comply

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with Section 7.3 [Reporting Requirements] of the Credit Agreement. In particular, each of the Guarantors shall not own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Guarantee as a Guarantor on the Closing Date, (ii) any Subsidiary formed or acquired after the Closing Date which joins this Guarantee as a Guarantor pursuant to Section 27 below or (iii) any Non-Restricted Person. To the extent that the obligations set forth in Section 7.3 [Reporting Requirements] are obligations which, by their nature, can only be performed and/or satisfied by the Borrower and/or by Hovnanian, each of the Guarantors shall fully cooperate with the Borrower and with Hovnanian in their respective efforts to comply with their respective obligations set forth therein.

27. Any Subsidiary of Hovnanian which is required to join this Guarantee as a Guarantor pursuant to Section 26 hereof or which is to become a Restricted Subsidiary shall execute and deliver to the Agent (i) a Guarantor Joinder pursuant to which it shall join as a Guarantor this Guarantee; and (ii) at the request of the Agent, documents in the forms described in Section 6.1 [First Loans and Letters of Credit] of the Credit Agreement, modified as appropriate to relate to such new Guarantor. Such new Guarantor shall deliver such Guarantor Joinder and any related documents that the Agent may reasonably request to the Agent after the formation thereof and its designation as a Restricted Subsidiary, and such Subsidiary shall not be a Restricted Subsidiary until the delivery and effectiveness of the items required herein.

28. All of the representations and warranties of the Guarantors contained herein (either directly or indirectly) or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of the Credit Agreement by any other party, including the Agent and the Lenders, any investigation by the Agent or the Lenders, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Guarantors contained in this Guarantee shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit under the Credit Agreement, and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit.

29. Notwithstanding the other provisions contained herein, at such time as the Guaranteed Indebtedness shall have been paid in full, this Guarantee and all obligations of the Agent and each Guarantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party. At the request and sole expense of the Guarantors, following any such termination, the Agent shall execute and deliver to the Guarantors such documents as the Guarantors shall reasonably request to evidence such termination.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

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**[SIGNATURE PAGE 1 OF 35 TO THE GUARANTY AGREEMENT]**

IN WITNESS WHEREOF, each Guarantor and the Agent, intending to be legally bound, have executed this Guarantee on the date first above written.

**HOVNANIAN ENTERPRISES, INC.**

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

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ARROW PROPERTIES, INC.

HOVNANIAN DEVELOPMENTS OF FLORIDA,  
INC.

K. HOV INTERNATIONAL, INC.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNANIAN ACQUISITIONS, INC.

K. HOVNANIAN AT BALLANTRAE, INC.

K. HOVNANIAN AT BERNARDS IV, INC.

K. HOVNANIAN AT BRANCHBURG III, INC.

K. HOVNANIAN AT BRIDGEPORT, INC.

K. HOVNANIAN AT BRIDGEWATER VI, INC.

K. HOVNANIAN AT BURLINGTON III, INC.

K. HOVNANIAN AT BURLINGTON, INC.

K. HOVNANIAN AT CALABRIA, INC.

K. HOVNANIAN AT CARMEL DEL MAR, INC.

K. HOVNANIAN AT CASTILE, INC.

K. HOVNANIAN AT CHAPARRAL, INC.

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**[SIGNATURE PAGE 2 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT CLARKSTOWN, INC.

K. HOVNANIAN AT CRESTLINE, INC.

K. HOVNANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNANIAN AT EAST WHITELAND I, INC.

K. HOVNANIAN AT FREEHOLD TOWNSHIP I,  
INC.

K. HOVNANIAN AT HERSHEY'S MILL, INC.

K. HOVNANIAN AT HACKETTSTOWN, INC.

K. HOVNANIAN AT HIGHLAND VINEYARDS, INC.

K. HOVNANIAN AT HOPEWELL IV, INC.

K. HOVNANIAN AT HOPEWELL VI, INC.

K. HOVNANIAN AT HOWELL TOWNSHIP,  
INC.

K. HOVNANIAN AT KINGS GRANT I, INC.

K. HOVNANIAN AT KLOCKNER FARMS, INC.

K. HOVNANIAN AT LA TERRAZA, INC.

K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.  
K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.

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**[SIGNATURE PAGE 3 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT MARLBORO TOWNSHIP  
IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT NORTHERN  
WESTCHESTER, INC.  
K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.  
K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CRISTIANITOS,  
INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.  
K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.  
K. HOVNANIAN AT SMITHVILLE, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK III,  
INC.

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**[SIGNATURE PAGE 4 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SOUTH BRUNSWICK V,  
INC.

K. HOVNANIAN AT STONE CANYON, INC.

K. HOVNANIAN AT STONY POINT, INC.

K. HOVNANIAN AT SYCAMORE, INC.

K. HOVNANIAN AT TANNERY HILL, INC.

K. HOVNANIAN AT THE BLUFF, INC.

K. HOVNANIAN AT THE CEDARS, INC.

K. HOVNANIAN AT THORNBURY, INC.

K. HOVNANIAN AT TIERRASANTA, INC.

K. HOVNANIAN AT TUXEDO, INC.

K. HOVNANIAN AT UNION TOWNSHIP I, INC.

K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP I, INC.

K. HOVNANIAN AT UPPER MAKEFIELD I, INC.

K. HOVNANIAN AT VAIL RANCH, INC.

K. HOVNANIAN AT WALL TOWNSHIP VI, INC.

K. HOVNANIAN AT WALL TOWNSHIP VIII,  
INC.

K. HOVNANIAN AT WASHINGTONVILLE,  
INC.

K. HOVNANIAN AT WAYNE III, INC.

K. HOVNANIAN AT WAYNE V, INC.

K. HOVNANIAN AT WILDROSE, INC.

K. HOVNANIAN COMPANIES NORTHEAST,  
INC.

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**[SIGNATURE PAGE 5 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN COMPANIES OF  
CALIFORNIA, INC.

K. HOVNANIAN COMPANIES OF  
MARYLAND, INC.

K. HOVNANIAN COMPANIES OF METRO  
WASHINGTON, INC.

K. HOVNANIAN COMPANIES OF NEW YORK,  
INC.

K. HOVNANIAN COMPANIES OF NORTH  
CAROLINA, INC.

K. HOVNANIAN COMPANIES OF  
PENNSYLVANIA, INC.

K. HOVNANIAN COMPANIES OF SOUTHERN  
CALIFORNIA, INC.

K. HOVNANIAN CONSTRUCTION II, INC.

K. HOVNANIAN CONSTRUCTION III, INC.

K. HOVNIANIAN CONSTRUCTION  
MANAGEMENT, INC.

K. HOVNIANIAN DEVELOPMENT OF METRO  
WASHINGTON, INC.

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  
ILLINOIS, INC.

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**[SIGNATURE PAGE 6 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN DEVELOPMENTS OF  
MARYLAND, INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO  
WASHINGTON, INC.

K. HOVNIANIAN DEVELOPMENTS OF  
MICHIGAN, 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 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 WEST  
VIRGINIA, INC.

K. HOVNIANIAN ENTERPRISES, INC.

K. HOVNIANIAN EQUITIES, INC.

K. HOVNIANIAN FORECAST HOMES, INC.

K. HOVNIANIAN HOMES OF NORTH  
CAROLINA, INC.

K. HOVNIANIAN HOMES OF VIRGINIA, INC.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
MARYLAND, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF  
NORTH CAROLINA, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP,  
L.L.C.

K. HOVNANIAN AT KING FARM, L.L.C.

K. HOVNANIAN AT RODERUCK. L.L.C.

K. HOVNANIAN AT WILLOW BROOK, L.L.C.

K. HOVNANIAN COMPANIES OF METRO D.C.  
NORTH, L.L.C.

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**[SIGNATURE PAGE 9 OF 35 TO THE GUARANTY AGREEMENT]**

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 ST.  
MARGARETS LANDING, L.L.C.

RIDGEMORE UTILITY, L.L.C.

WASHINGTON HOMES AT COLUMBIA TOWN  
CENTER, L.L.C.

WESTMINSTER HOMES OF ALABAMA, L.L.C.

WESTMINSTER HOMES OF MISSISSIPPI,  
L.L.C.

WOODLAND LAKES CONDOS @ BOWIE  
NEWTOWN, L.L.C.

By: K. Hovnanian Developments of Maryland,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

DULLES COPPERMINE, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF  
VIRGINIA, L.L.C.

K. HOVNANIAN AT LAKE RIDGE CROSSING, L.L.C.

K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

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**[SIGNATURE PAGE 10 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN FOUR SEASONS AT  
HISTORIC VIRGINIA, L.L.C.

K. HOVNANIAN HOMES AT CAMERON  
STATION, L.L.C.

K. HOVNANIAN HOMES AT LAUREL  
HIGHLANDS, L.L.C.

K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
ASHBURN VILLAGE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT VINT  
HILL, L.L.C.

By: K. Hovnanian Developments of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

EDISON CONTRACT SERVICES, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.

K. HOVNANIAN AT BERKELEY, L.L.C.

K. HOVNANIAN AT BERNARDS V, L.L.C.

K. HOVNANIAN AT BLUE HERON PINES,  
L.L.C.

K. HOVNANIAN AT BRIDGEWATER I, L.L.C

K. HOVNANIAN AT CAMDEN I, L.L.C.

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**[SIGNATURE PAGE 11 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.

K. HOVNANIAN AT CHESTER I, L.L.C.

K. HOVNANIAN AT CHESTERFIELD, L.L.C.

K. HOVNANIAN AT CLIFTON II, L.L.C.

K. HOVNANIAN AT CLIFTON, L.L.C.

K. HOVNANIAN AT CRANBURY, L.L.C.



K. HOVNANIAN AT CURRIES WOODS, L.L.C.

K. HOVNANIAN AT DENVILLE, L.L.C.

K. HOVNANIAN AT DEPTFORD TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT EDGEWATER II, L.L.C.

K. HOVNANIAN AT EDGEWATER, L.L.C.

K. HOVNANIAN AT EGG HARBOR  
TOWNSHIP, 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, L.L.C.

K. HOVNANIAN AT FREEHOLD TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT GREAT NOTCH, L.L.C.

K. HOVNANIAN AT GUTTENBERG, L.L.C.

K. HOVNANIAN AT HACKETTSTOWN II,  
L.L.C.

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**[SIGNATURE PAGE 12 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT HAMBURG  
CONTRACTORS, L.L.C.

K. HOVNANIAN AT HAMBURG, L.L.C.

K. HOVNANIAN AT HAWTHORNE, L.L.C.

K. HOVNANIAN AT JACKSON I, L.L.C.

K. HOVNANIAN AT JACKSON, L.L.C.

K. HOVNANIAN AT JERSEY CITY IV, L.L.C.

K. HOVNANIAN AT JERSEY CITY V URBAN  
RENEWAL COMPANY, L.L.C.

K. HOVNANIAN AT LAFAYETTE ESTATES,  
L.L.C.

K. HOVNANIAN AT LAWRENCE V, L.L.C.

K. HOVNANIAN AT LINWOOD, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR  
TOWNSHIP II, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR  
CONTRACTORS, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR,  
L.L.C.

K. HOVNANIAN AT LONG BRANCH I, 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 MARLBORO TOWNSHIP  
IX, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP  
V, L.L.C.

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**[SIGNATURE PAGE 13 OF 35 TO THE GUARANTY AGREEMENT]**

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 MENDHAM TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT MIDDLE TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT MIDDLETOWN II, L.L.C.

K. HOVNANIAN AT MIDDLETOWN, L.L.C.

K. HOVNANIAN AT MILLVILLE I, L.L.C.

K. HOVNANIAN AT MILLVILLE II, L.L.C.

K. HOVNANIAN AT MONROE III, L.L.C.

K. HOVNANIAN AT MONROE IV, L.L.C.

K. HOVNANIAN AT MONTVALE, L.L.C.

K. HOVNANIAN AT MT. OLIVE TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT NORTH BERGEN II, 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,  
L.L.C.

K. HOVNANIAN AT NORTH HALEDON, L.L.C.

K. HOVNANIAN AT NORTH WILDWOOD,  
L.L.C.

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**[SIGNATURE PAGE 14 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT NORTHFIELD, L.L.C.

K. HOVNANIAN AT OLD BRIDGE, L.L.C.

K. HOVNANIAN AT PARAMUS, L.L.C.

K. HOVNANIAN AT PARSIPPANY-TROY

HILLS, L.L.C.

K. HOVNANIAN AT PITTSBORO, L.L.C.

K. HOVNANIAN AT RANDOLPH I, L.L.C.

K. HOVNANIAN AT READINGTON II, L.L.C.

K. HOVNANIAN AT RED BANK, L.L.C.

K. HOVNANIAN AT SAYREVILLE, L.L.C.

K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNANIAN AT SMITHVILLE III, L.L.C.

K. HOVNANIAN AT SOMERS POINT, L.L.C.

K. HOVNANIAN AT SOUTH BRUNSWICK,  
L.L.C.

K. HOVNANIAN AT SPRINGFIELD, L.L.C.

K. HOVNANIAN AT TEANECK, L.L.C.

K. HOVNANIAN AT UNION TOWNSHIP II,  
L.L.C.

K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP II, L.L.C.

K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP III, L.L.C.

K. HOVNANIAN AT WANAQUE, L.L.C.

K. HOVNANIAN AT WARREN TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT WASHINGTON, L.L.C.

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**[SIGNATURE PAGE 15 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT WAYNE IX, L.L.C.

K. HOVNANIAN AT WAYNE VIII, L.L.C.

K. HOVNANIAN AT WEST MILFORD, L.L.C.

K. HOVNANIAN AT WEST WINDSOR, L.L.C.

K. HOVNANIAN AT WOODHILL ESTATES,  
L.L.C.

K. HOVNANIAN AT WOOLWICH I, L.L.C.

K. HOVNANIAN CENTRAL ACQUISITIONS,  
L.L.C.

K. HOVNANIAN INVESTMENTS, L.L.C.

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 SHORE ACQUISITIONS,  
L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY,  
L.L.C.

K. HOVNANIAN SOUTH JERSEY  
ACQUISITIONS, L.L.C.K. HOVNANIAN T&C  
INVESTMENT, L.L.C.

K. HOVNANIAN'S PRIVATE HOME  
PORTFOLIO, L.L.C.

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**[SIGNATURE PAGE 16 OF 35 TO THE GUARANTY AGREEMENT]**

KHIP, L.L.C. By: K. Hovnanian Holdings NJ,  
L.L.C., as the sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of New  
Jersey, Inc., as member

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

AND

By: K. Hovnanian Developments of New  
Jersey II, Inc., as member

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
CALIFORNIA, L.L.C.

K. HOVNANIAN AT 4S II, L.L.C.

K. HOVNANIAN AT 4S, L.L.C.

K. HOVNANIAN AT ACQUA VISTA, L.L.C.

K. HOVNANIAN AT ALISO, L.L.C.

K. HOVNANIAN AT ARBOR HEIGHTS, L.L.C.

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**[SIGNATURE PAGE 17 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT BELLA LAGO, L.L.C.

K. HOVNANIAN AT BRIDLEWOOD, L.L.C.

K. HOVNANIAN AT CAPISTRANO, L.L.C.

K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.

K. HOVNANIAN AT CITY IN THE HILLS,  
L.L.C.

K. HOVNANIAN AT CORTEZ HILL, L.L.C.

K. HOVNANIAN AT EASTLAKE, L.L.C.

K. HOVNANIAN AT ENCINITAS RANCH,  
L.L.C.

K. HOVNANIAN AT GASLAMP SQUARE,  
L.L.C.

K. HOVNANIAN AT HIGHWATER, L.L.C.

K. HOVNANIAN AT LA COSTA, L.L.C

K. HOVNANIAN AT LA HABRA KNOLLS,  
L.L.C.

K. HOVNANIAN AT MENIFEE, L.L.C.

K. HOVNANIAN AT MOSAIC, L.L.C.

K. HOVNANIAN AT OLDE ORCHARD, L.L.C.

K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.

K. HOVNANIAN AT PARK LANE, L.L.C.

K. HOVNANIAN AT RANCHO SANTA  
MARGARITA, L.L.C.

K. HOVNANIAN AT RIVERBEND II, L.L.C.

K. HOVNANIAN AT RIVERBEND, L.L.C.

K. HOVNANIAN AT ROWLAND HEIGHTS,  
L.L.C.

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**[SIGNATURE PAGE 18 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SHELF COMPANY, L.L.C.

K. HOVNANIAN AT SKYE ISLE, L.L.C.

K. HOVNANIAN AT SUNSETS, L.L.C.

K. HOVNANIAN AT THE CROSBY, L.L.C.

K. HOVNANIAN AT THE GABLES, L.L.C.

K. HOVNANIAN AT THE PRESERVE, L.L.C.

K. HOVNANIAN AT THOMPSON RANCH,  
L.L.C.

K. HOVNANIAN AT TRAIL RIDGE, L.L.C.

K. HOVNANIAN AT WINCHESTER, L.L.C.

K. HOVNANIAN T&C MANAGEMENT CO.,  
L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
BAKERSFIELD, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
HEMET, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
MENIFEE VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM  
SPRINGS, L.L.C.

---



L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNANIAN AT WEST BRADFORD, L.L.C.

K. HOVNANIAN HOMES OF PENNSYLVANIA,  
L.L.C.

K. HOVNANIAN PENNSYLVANIA  
ACQUISITIONS, L.L.C.

---

**[SIGNATURE PAGE 21 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN SUMMIT HOMES OF  
PENNSYLVANIA, L.L.C.

By: K. Hovnanian Companies of Pennsylvania,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
FLORIDA, L.L.C.

K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.

K. HOVNANIAN HOMES AT CAMP SPRINGS,  
L.L.C.

K. HOVNANIAN HOMES AT FOREST RUN,  
L.L.C.

K. HOVNANIAN HOMES AT RENAISSANCE  
PLAZA, L.L.C.

K. HOVNANIAN HOMES AT RUSSETT, L.L.C.

K. HOVNANIAN WINDWARD HOMES, L.L.C.

---

**[SIGNATURE PAGE 22 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN HOMES OF MARYLAND,  
L.L.C.

By: Hovnanian Developments of Florida, Inc., as  
the sole member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN COMPANIES, LLC

By: K. Hovnanian Enterprises, Inc., as member  
of the foregoing limited liability company.

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

AND

By: K. Hovnanian Developments of New Jersey  
II, Inc., as member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 23 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN EASTERN PENNSYLVANIA,  
L.L.C.

By: K. Hovnanian at Perkiomen II, Inc., as the  
sole member of the foregoing limited  
liability company.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN FOUR SEASONS AT GOLD  
HILL, L.L.C.

K. HOVNANIAN HOMES OF SOUTH  
CAROLINA, L.L.C.

By: K. Hovnanian Developments of South  
Carolina, Inc., as the sole member of each of  
the foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN GREAT WESTERN BUILDING  
COMPANY, LLC

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[SIGNATURE PAGE 24 OF 35 TO THE GUARANTY AGREEMENT]

K. HOVNANIAN GREAT WESTERN HOMES,  
L.L.C.

By: K. Hovnanian Developments of Arizona,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN AT HIGHLAND SHORES,  
L.L.C.

K. HOVNANIAN HOMES OF MINNESOTA,  
L.L.C.

By: K. Hovnanian Developments of Minnesota,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN OHIO REALTY, L.L.C.

K. HOVNANIAN SUMMIT HOMES, L.L.C.

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[SIGNATURE PAGE 25 OF 35 TO THE GUARANTY AGREEMENT]

MIDWEST BUILDING PRODUCTS &  
CONTRACTOR SERVICES, L.L.C.

By: K. Hovnanian Developments of Ohio, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN HOMES OF WEST VIRGINIA,  
L.L.C.

K. HOVNANIAN SUMMIT HOMES OF WEST  
VIRGINIA, L.L.C.

By: K. Hovnanian Developments of West Virginia, Inc., as the sole member of each of the foregoing limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 26 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.

By: K. Hovnanian Developments of Michigan, Inc., as the sole member of the foregoing limited liability company.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

KINGS COURT AT MONTGOMERY, L.L.C.

M&M AT CHESTERFIELD, L.L.C.

M&M AT KENSINGTON WOODS, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT APPLE RIDGE, L.L.C.

M&M AT BROOKHILL, L.L.C.

M&M AT EAST MILL, L.L.C.

M&M AT HERITAGE WOODS, L.L.C.

M&M AT MORRISTOWN, L.L.C.

M&M AT SHERIDAN, L.L.C.

M&M AT SPARTA, L.L.C.

M&M AT SPINNAKER POINTE, L.L.C.

M&M AT SPRUCE HOLLOW, L.L.C.

M&M AT SPRUCE MEADOWS, L.L.C.

M&M AT SPRUCE RUN, L.L.C.

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**[SIGNATURE PAGE 27 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT THE HIGHLANDS, L.L.C.

MATZEL & MUMFORD AT CRANBURY

KNOLL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR,  
L.L.C.

MATZEL & MUMFORD AT FREEHOLD, L.L.C.

MATZEL & MUMFORD AT HERITAGE  
LANDING,L.L.C.

MATZEL & MUMFORD AT MONTGOMERY,  
L.L.C.

MATZEL & MUMFORD AT PHILLIPSBURG,  
L.L.C.

MATZEL & MUMFORD AT SOUTH  
BRUNSWICK, L.L.C.

MATZEL & MUMFORD AT WOODLAND  
CREST, L.L.C.

THE LANDINGS AT SPINNAKER POINTE,  
L.L.C.

By: The Matzel & Mumford Organization, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 28 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT ROBERT MORRIS, L.L.C.

M&M AT TAMARACK HOLLOW, L.L.C.

M&M AT WHEATENA URBAN RENEWAL,  
L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND  
BROOK URBAN RENEWAL, L.L.C.

MMIP, L.L.C.

By: M&M Investments, LP, as the sole member  
of each of the foregoing limited liability  
companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN HOMES AT FAIRWOOD,  
L.L.C.

K. HOVNANIAN HOMES AT MAXWELL

PLACE, L.L.C.

K. HOVNANIAN HOMES AT MAXWELL  
PLACE, L.L.C.

PADDOCKS, L.L.C.

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**[SIGNATURE PAGE 29 OF 35 TO THE GUARANTY AGREEMENT]**

PINE AYR, L.L.C.

By: K. Hovnanian Homes of Maryland, L.L.C.,  
as the sole member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
TEXAS, L.L.C.

By: Goodman Family of Builders, L.P., as the  
sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of  
Florida, as general partner of each of  
the foregoing limited partnerships.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 30 OF 35 TO THE GUARANTY AGREEMENT]**

NORTH MANATEE, L.L.C.

By: Hovnanian Land Investment Group of  
Florida, L.L.C., as the sole member of the  
foregoing limited liability company.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN AT YONKERS I, L.L.C.

K. HOVNANIAN AT YONKERS II, L.L.C.

[SIGNATURE PAGE 31 OF 35 TO THE GUARANTY AGREEMENT]

K. HOVNANIAN AT YONKERS III, L.L.C.

By: K. Hovnanian at Northern Westchester, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY CONDOMINIUM, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY, L.L.C.

By: K. Hovnanian Development of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

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[SIGNATURE PAGE 32 OF 35 TO THE GUARANTY AGREEMENT]

K. HOVNANIAN HOMES OF DELAWARE,  
L.L.C.

By: K. Hovnanian Developments of Delaware,  
Inc., as the sole member of the foregoing  
limited liability company.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

K. HOVNANIAN AT MENIFEE VALLEY  
CONDOMINIUMS, L.L.C.

By: K. Hovnanian's Four Seasons At Meniffee  
Valley, L.L.C.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 33 OF 35 TO THE GUARANTY AGREEMENT]**

GOODMAN FAMILY OF BUILDERS, L.P.

By: K. Hovnanian Developments of Florida, as  
general partner of the foregoing limited  
partnership.

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

K. HOVNANIAN OF HOUSTON II, L.P.

K. HOVNANIAN OF HOUSTON, L.P.

By: K. Hovnanian Developments of Texas, Inc.,  
as general partner of each of the foregoing  
limited partnerships.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 34 OF 35 TO THE GUARANTY AGREEMENT]**

M&M INVESTMENTS, L.P.

By: The Matzel & Mumford Organization, Inc.,  
as general partner of the foregoing limited  
partnership.

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

Attest: /s/ Peter S. Reinhart  
Peter S. Reinhart  
Secretary

Address for Notices for each of the foregoing  
Guarantors:

c/o K. Hovnanian Enterprises, Inc.  
10 Route 35, P.O. Box 500  
Red Bank, NJ 07701  
Attention: Kevin C. Hake  
Telephone: (732) 747-7800  
Telecopy: (732) 747-6835

**[SIGNATURE PAGE 35 OF 35 TO THE GUARANTY AGREEMENT]**

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: /s/ Douglas G. Paul  
Name: Douglas G. Paul  
Title: Senior Vice President

**EXHIBIT 1.1(A)**

**FORM OF  
ASSIGNMENT AND ASSUMPTION AGREEMENT**

This ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including, to the extent included in any such facilities, letters of credit and swingline loans) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

- 1. Assignor: \_\_\_\_\_
- 2. Assignee: \_\_\_\_\_ [and is an Affiliate(1)]
- 3. Borrower: K. Hovnanian Enterprises, Inc.
- 4. Agent: PNC Bank, National Association, as the agent under the Credit Agreement
- 5. Credit Agreement: The Fifth Amended and Restated Credit Agreement dated June 14, 2005 among K. Hovnanian Enterprises, Inc. (the "Borrower"), Hovnanian Enterprises, Inc., as a Guarantor, the Lenders now or hereafter party thereto and PNC Bank, National Association, as administrative agent (the "Agent")

(1) Insert if applicable.

6. Assigned Interest:

| Facility Assigned | Aggregate<br>Amount of<br>Commitment/Loans<br>for all Lenders | Amount of<br>Commitment/Loans<br>Assigned | Percentage<br>Assigned of<br>Commitment/Loans(2) |
|-------------------|---|---|--|
| (3)               | \$  | \$  | %  |
|                   | \$  | \$  | %  |
|                   | \$  | \$  | %  |

Effective Date: \_\_\_\_\_, 20 [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.](4)

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR  
[NAME OF ASSIGNOR]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSIGNEE  
[NAME OF ASSIGNEE]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

[Consented to and](5) Accepted:

PNC BANK, NATIONAL ASSOCIATION, as  
Agent

By \_\_\_\_\_  
Name:  
Title:

- \_\_\_\_\_
- (2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
  - (3) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Loan Commitment", etc.) The same percentage of each facility owned by the Assignor shall be assigned to the Assignee.
  - (4) Assignor shall pay a fee of \$3,500 to the Agent in connection with the Assignment.
  - (5) To be added only if the consent of the Agent is required by the terms of the Credit Agreement.

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[Consented to:](6)

[NAME OF BORROWER OR OTHER RELEVANT PARTY]

By \_\_\_\_\_  
Name:  
Title:

- \_\_\_\_\_
- (6) To be added only if the consent of the Borrower and/or other parties (e.g. Swingline Lender, L/C Issuer) is required by the terms of the Credit Agreement.

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ANNEX 1

[ (7)

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT  
AND ASSUMPTION AGREEMENT

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (herein collectively the "Loan Documents"), or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements, if any, of an eligible assignee under the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.3 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if Assignee is not incorporated or organized under the laws of the United States of America or any State thereof, attached to the Assignment is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.(8)

3. General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an



executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the laws of the State of New Jersey.

(7) Describe Credit Agreement at option of Agent.

(8) Agent should consider whether this method conforms to its systems. In some circumstances, the following alternative language may be appropriate: "From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves."

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## EXHIBIT 1.1(G)(1)

### FORM OF AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT

THIS AMENDED AND RESTATED GUARANTY AND SURETYSHIP AGREEMENT (the "Guarantee") is made and entered into June 14, 2005, by each of the entities listed on the signature pages hereto (each a "Guarantor" and collectively, the "Guarantors"), in favor of PNC BANK, NATIONAL ASSOCIATION, including its successors and assigns, as administrative agent for the Lenders under the Credit Agreement described below (the "Agent").

#### BACKGROUND:

In order to induce the Lenders to make loans to K. Hovnanian Enterprises, Inc., a California corporation (the "Borrower"), in accordance with that certain Fifth Amended and Restated Credit Agreement of even date herewith (as it may hereafter from time to time be amended, restated, modified or supplemented, the "Credit Agreement") by and among the Borrower, Hovnanian Enterprises, Inc. (one of the Guarantors), the Agent, and the Lenders now or hereafter party thereto (the "Lenders"), each Guarantor hereby unconditionally and irrevocably guarantees and becomes surety as though it was a primary obligor for the full and timely payment when due, whether at maturity, by declaration, acceleration or otherwise, of the principal of and interest and fees on all Obligations (as defined in the Credit Agreement), both those now in existence and those that shall hereafter be made, of the Borrower to the Agent and the Lenders under the Credit Agreement and the Notes issued by the Borrower in connection therewith and any extensions, renewals, replacements or refundings thereof, and each and every other obligation or liability (both those now in existence and those that shall hereafter arise and including, without limitation, all costs and expenses of enforcement and collection, including reasonable attorney's fees) of the Borrower to the Lenders under the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), and any extensions, renewals, replacements or refundings thereof (hereinafter referred to as the "Guaranteed Indebtedness"), whether or not such Guaranteed Indebtedness or any portion thereof shall hereafter be released or discharged or is for any reason invalid or unenforceable.

1. Capitalized terms used herein and not otherwise defined herein shall have such meanings given to them in the Credit Agreement.

2. Each Guarantor agrees to make such full payment forthwith upon demand of the Agent when the Guaranteed Indebtedness or any portion thereof is due to be paid by the Borrower to the Lenders, whether at stated maturity, by declaration, acceleration or otherwise. Each Guarantor agrees to make such full payment irrespective of whether or not any one or more of the following events has occurred: (i) the Agent has made any demand on the Borrower or the other Guarantors; (ii) the Agent has taken any action of any nature against the Borrower or the other Guarantors; (iii) the Agent has pursued any rights which it has against any other Person who may be liable for the Guaranteed Indebtedness; (iv) the Agent holds or has resorted to any security for the Guaranteed Indebtedness; or (v) the Agent has invoked any other remedy or right it has available with respect to the Guaranteed Indebtedness. Each Guarantor further agrees to

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make full payment to the Lenders even if circumstances exist which otherwise constitute a legal or equitable discharge of such Guarantor as surety or guarantor.

3. The terms, conditions and provisions of Section 5.1 [Representations and Warranties] of the Credit Agreement are incorporated herein by reference as if fully set forth in this Guarantee. The Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, make the representations and warranties set forth in Section 5.1 [Representations and Warranties] of the Credit Agreement to the Agent and to each of the Lenders on the date hereof and on the Closing Date and each date thereafter on which a Loan is made or a Letter of Credit is issued as provided in and subject to Section 6.1 [First Loans and Letters of Credit] and Section 6.2 [Each Additional Loan or Letter of Credit] of the Credit Agreement. In addition, each Guarantor warrants to the Agent and the Lenders that: (i) no other agreement, representation or special condition exists between such Guarantor and the Agent or any Lender regarding the liability of such Guarantor hereunder, nor does any understanding exist between such Guarantor and any Lender that the obligations of such Guarantor hereunder are or will be other than as set forth herein; and (ii) as of the date hereof, such Guarantor has no defense whatsoever to any action or proceeding that may be brought to enforce this Guarantee.

4. Until all of the Guaranteed Indebtedness is paid in full, each Guarantor waives and agrees not to enforce any of the rights of such Guarantor against the Borrower or the other Guarantors, including, but not limited to: (i) any right of such Guarantor to be subrogated in whole or in part to any right or claim with respect to any Guaranteed Indebtedness or any portion thereof to the Lenders which might otherwise arise from payment by any Guarantor to the Lenders on the account of the Guaranteed Indebtedness or any portion thereof; and (ii) any right of any Guarantor to require the marshalling of assets of the Borrower or the other Guarantors which might otherwise arise from payment by any Guarantor to the Lenders on account of the Guaranteed Indebtedness or any portion thereof. If any amount shall be paid to any Guarantor in violation of the preceding sentence, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Lenders and shall forthwith be paid to the Agent and the Lenders to be credited and applied upon the Guaranteed Indebtedness, whether matured or unmatured, in accordance with the terms of the Credit Agreement. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waivers set forth in this Section are knowingly made in contemplation of such benefits.

5. Each Guarantor waives promptness and diligence by the Lenders with respect to its rights under the Credit Agreement or any of the other Loan Documents, including, but not limited to, this Guarantee.

6. Each Guarantor waives any and all notice with respect to: (i) acceptance by the Agent on behalf of the Lenders of this Guarantee; (ii) the provisions of any note, instrument or agreement relating to the Guaranteed Indebtedness; and (iii) any default in connection with the Guaranteed Indebtedness.

7. Each Guarantor waives any presentment, demand, notice of dishonor or nonpayment, protest, and notice of protest in connection with the Guaranteed Indebtedness.

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8. Each Guarantor agrees that the Lenders may from time to time and as many times as the Lenders, in their sole discretion, deem appropriate, do any of the following without notice to any Guarantor and without adversely affecting the validity or enforceability of this Guarantee: (i) release, surrender, exchange, compromise, or settle the Guaranteed Indebtedness or any portion thereof; (ii) change, renew, or waive the terms of the Guaranteed Indebtedness or any portion thereof; (iii) change, renew, or waive the terms, including without limitation, the rate of interest charged to the Borrower or any Guarantor, of any note, instrument, or agreement relating to the Guaranteed Indebtedness or any portion thereof; (iv) grant any extension or indulgence with respect to the payment to the Lenders of the Guaranteed Indebtedness or any portion thereof; (v) enter into any agreement of forbearance with respect to the Guaranteed Indebtedness or any portion thereof; (vi) release, surrender, exchange or compromise any security held by the Agent on behalf of the Lenders for the Guaranteed Indebtedness; (vii) release any Person who is a guarantor or surety or who has agreed to purchase the Guaranteed Indebtedness or any portion thereof; and (viii) release, surrender, exchange or compromise any security or lien held by the Agent on behalf of the Lenders for the liabilities of any Person who is a guarantor or surety for the Guaranteed Indebtedness or any portion thereof. Each Guarantor agrees that the Agent on behalf of the Lenders may do any of the above as it deems necessary or advisable, in its sole discretion, without giving any notice to any Guarantor, and that each Guarantor will remain liable for full payment to the Lenders of the Guaranteed Indebtedness.

9. Each Guarantor agrees to be jointly and severally bound by the terms of this Guarantee and jointly and severally liable under this Guarantee. As a result of such liability, each Guarantor acknowledges that the Lenders may, in their sole discretion, elect to enforce this Guarantee for the total Guaranteed Indebtedness against any Guarantor without any duty or responsibility to pursue the other Guarantors and that such an election by the Lenders shall not be a defense to any action the Agent on behalf of the Lenders may elect to take against any Guarantor.

10. If any amount owing hereunder shall have become due and payable (by acceleration or otherwise), any Lender and any branch, subsidiary or affiliate of any Lender anywhere in the world shall each have the right, at any time and from time to time to the fullest extent permitted by Law, in addition to all other rights and remedies available to it, without prior notice to any Guarantor, to set-off against and to appropriate and apply to such due and payable amounts any debt owing to, and any other funds held in any manner for the account of any Guarantor by any Lender or any such branch, subsidiary or affiliate including, without limitation, all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by any Guarantor with any Lender or such branch, subsidiary or affiliate. Such right shall exist whether or not any Lender shall have given notice or made any demand hereunder or under any of the Notes or Loan Documents, whether or not such debt owing to or funds held for the account of any Guarantor is or are matured or unmatured, and regardless of the existence or adequacy of any collateral, guarantee or any other security, right or remedy available to any Lender. Each Guarantor hereby consents to and confirms the foregoing arrangements, and confirms each Lenders rights and each such branch's, subsidiary's and affiliate's rights of banker's lien and set-off.

11. Each Guarantor recognizes and agrees that the Borrower, after the date hereof, may incur additional Obligations or other obligations, fees and expenses to the Lenders under the

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Credit Agreement, refinance existing Guaranteed Indebtedness or pay existing Guaranteed Indebtedness and subsequently incur additional Obligations to the Lenders under the Credit Agreement, and that in any such transaction, even if such transaction is not now contemplated, the Lenders will rely in any such case upon this Guarantee and the enforceability thereof against each Guarantor and that this Guarantee shall remain in full force and effect with respect to such future Obligations of the Borrower to the Lenders and such Obligations shall for all purposes constitute Guaranteed Indebtedness.

12. Each Guarantor further agrees that, if at any time all or any part of any payment, from whomever received, theretofore applied by the Lenders to any of the Guaranteed Indebtedness is or must be rescinded or returned by the Lenders for any reason whatsoever including, without limitation, the insolvency, bankruptcy or reorganization of any Guarantor, such liability shall, for the purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by any Lender, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such liabilities, all as though such application by the Lenders had not been made.

13. Each Guarantor agrees that no failure or delay on the part of any Lender or of the Agent on behalf of the Lenders to exercise any of its rights, powers or privileges under this Guarantee shall be a waiver of such rights, powers or privileges or a waiver of any default, nor shall any single or partial exercise of any of the Agent's or of any Lenders' rights, powers or privileges preclude other or further exercise thereof or the exercise of any other right, power or privilege or be construed as a waiver of any default. Each Guarantor further agrees that no waiver or modification of any rights of the Lenders or of the Agent under this Guarantee shall be effective unless in writing and signed by each Lender and the Agent. Each Guarantor further agrees that each written waiver shall extend only to the specific instance actually recited in such written waiver and shall not impair the rights of any Lender or of the Agent in any other respect.

14. Each Guarantor unconditionally agrees to pay all costs and expenses, including attorney's fees, incurred by the Agent on behalf of the Lenders in enforcing this Guarantee against any Guarantor.

15. Each Guarantor agrees that this Guarantee and the rights and obligations of the parties hereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of New Jersey without giving effect to its principles of conflict of laws.

16. Each Guarantor acknowledges that in addition to binding itself to this Guarantee, at the time of execution of this Guarantee the Agent offered to such Guarantor a copy of this Guarantee in the form in which it was executed and that by acknowledging this fact such Guarantor may not later be able to claim that a copy of the Guarantee was not received by it.

17. Each Guarantor agrees that this Guarantee shall be binding upon each Guarantor and its successors and assigns; provided, however, that no Guarantor may assign or transfer any of its rights and obligations hereunder or any interest herein. Each Guarantor further agrees that (i) this Guarantee is freely assignable and transferable by the Lenders in connection with any

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assignment or transfer of the Guaranteed Indebtedness and (ii) this Guarantee shall inure to the benefit of the Lenders, and their successors and assigns.

18. Each Guarantor agrees that if any Guarantor fails to perform any covenant or agreement hereunder or if there occurs and continues to exist an Event of Default under the Credit Agreement, all or any part of the Guaranteed Indebtedness may be declared to be forthwith due and payable and, in the case of an Event of Default described in Section 8.1.14 [Involuntary Proceedings] or Section 8.1.15 [Voluntary Proceedings] of the Credit Agreement, the Guaranteed Indebtedness shall be immediately due and payable, in any case without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

19. Each Guarantor agrees that the enumeration of the Lenders' rights and remedies set forth in this Guarantee is not intended to be exhaustive and the exercise by any of the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and shall be in addition to any other right or remedy given hereunder or under any other agreement among the parties to the Loan Documents or which may now or hereafter exist at law or in equity or by suit or otherwise.

20. Each Guarantor agrees that all notices, statements, requests, demands and other communications under this Guarantee shall be given to each of the Guarantors at the address set forth below their respective names on the signature page hereof in the manner provided in Section 10.6 [Notices] of the Credit Agreement.

21. (a) Each Guarantor agrees that the provisions of this Guarantee are severable, and in an action or proceeding involving any state or federal bankruptcy, insolvency or other law affecting the rights of creditors generally:

(i) if any clause or provision shall be held invalid or 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 other clause or provision in this Guarantee in any jurisdiction.

(ii) if this Guarantee would be held or determined to be void, invalid or unenforceable on account of the amount of a Guarantor's aggregate liability under this Guarantee, then, notwithstanding any other provision of this Guarantee to the contrary, the aggregate amount of such liability shall, without any further action by the Lenders, such Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding, which (without limiting the generality of the foregoing) may be an amount which is not greater than the greater of:

(A) the fair consideration actually received by such Guarantor under the terms of and as a result of the Loan Documents, including, without limiting the generality of the foregoing, and to the extent not inconsistent with applicable federal and state laws affecting the enforceability of guarantees, distributions or advances made to such Guarantor with the proceeds of any credit extended under the Loan Documents in exchange for its guaranty of the Guaranteed Indebtedness, or

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(B) the excess of (1) the amount of the fair saleable value of the assets of such Guarantor as of the date of this Guarantee as determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors as in effect on the date thereof over (2) the amount of all liabilities of such Guarantor as of the date of this Guarantee, also as determined on the basis of applicable federal and state laws governing the insolvency of debtors as in effect on the date thereof.

(b) If the guarantee by any one or more Guarantors of the Guaranteed Indebtedness is held or determined to be void, invalid or unenforceable, in whole or in part, such holding or determination shall not impair or affect:

(i) the validity and enforceability of the guarantee hereunder by any other Guarantor, which shall continue in full force and effect in accordance with its terms; or

(ii) the validity and enforceability of any clause or provision not so held to be void, invalid or unenforceable.

22. EACH GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE. EACH GUARANTOR (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND EXECUTION AND DELIVERY HEREOF BY EACH GUARANTOR, AND (ii) ACKNOWLEDGES THAT THE ENTERING INTO OF THE CREDIT AGREEMENT BY THE LENDERS HAS BEEN INDUCED BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS SET FORTH IN THIS SECTION.

23. Each Guarantor (i) hereby irrevocably submits to the nonexclusive jurisdiction of the Superior Court of New Jersey, Law Division, Middlesex County, or any successor to said court, and to the nonexclusive jurisdiction of the United States District Court for the District of New Jersey, or any successor to said court (hereinafter referred to as the "New Jersey Courts") for purposes of any suit, action or other proceeding which relates to this Guarantee or any other Loan Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense

or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New Jersey Courts; that such suit, action or proceeding is brought in an inconvenient forum; that the venue of such suit, action or proceeding is improper; or that this Guarantee or any Loan Document may not be enforced in or by the New Jersey Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New Jersey Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New Jersey Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 20 hereof and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Lenders right to bring any suit, action or other proceeding

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against any Guarantor or any of any Guarantor's assets or to serve process on any Guarantor by any means authorized by Law.

24. Each Guarantor waives all defenses based on suretyship not specifically waived.

25. At any time when the Borrower wishes to cause the Lenders to release a Guarantor from its obligations under this Guarantee (whether directly or in connection with the designation of a Restricted Subsidiary as a Non-Restricted Person), the consent of the Lenders shall be required as described below and shall be subject to the other provisions of this Section 25.

(a) For the release of (i) any Guarantor whose assets are principally comprised of residential or commercial property which is leased or held for the purposes of leasing to unaffiliated third parties or (ii) any Guarantor in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment less than \$1,000,000 or (iii) Corporate Office Subsidiary incident to it becoming a Non-Restricted Person or (iv) any Guarantor at the time such Guarantor enters into a newly-formed Joint Venture with a person which is not an Affiliate of the Loan Parties and transfers all or a substantial portion of its assets to such Joint Venture provided that such Guarantor is a Non-Restricted Person (or simultaneously with Borrower's request for such release the Borrower has designated such Guarantor as a "Non-Restricted Person" in compliance with Section 2.11.2 of the Credit Agreement), no consent of the Lenders shall be required and such request of the Borrower shall be granted absent an Event of Default or Potential Default, effective on the date specified by the Borrower which shall not be earlier than five (5) Business Days after the receipt by the Agent of such request;

(b) For the release of any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$1,000,000 and less than \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of Required Lenders shall be required; and

(c) For the release of Hovnanian or any Guarantor (not described in clause 26(a)(i) hereof) in which any Loan Party (or Loan Parties in the aggregate) has, at the time of such release, a Subsidiary Investment greater than or equal to \$5,000,000 (except Corporate Office Subsidiary, if otherwise applicable), the consent of 100% of the Lenders shall be required.

(d) The designation of a Person as a Non-Restricted Person for any reason shall not itself constitute a release of any Guarantor and any such release of such Person shall be in accordance with Section 2.11 of the Credit Agreement.

26. All of the terms, conditions and provisions of Sections 7.1 [Affirmative Covenants], Section 7.2 [Negative Covenants] and Section 7.3 [Reporting Requirements] of the Credit Agreement are incorporated herein by reference as if fully set forth herein. Each of the Guarantors, jointly and severally, without any further act or undertaking or the occurrence of any other event, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all

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Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Credit Agreement and the satisfaction of the Guaranteed Indebtedness under this Guarantee and termination of the Commitments, they shall comply with the affirmative covenants set forth in Section 7.1 [Affirmative Covenants] of the Credit Agreement, comply with the negative covenants set forth in Section 7.2 [Negative Covenants] of the Credit Agreement and comply Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Credit Agreement and the satisfaction of the Guaranteed Indebtedness under this Guarantee and termination of the Commitments, they shall comply with the affirmative covenants set forth in Section 7.1 [Affirmative Covenants] of the Credit Agreement, comply with the negative covenants set forth in Section 7.2 [Negative Covenants] of the Credit Agreement and comply with Section 7.3 [Reporting Requirements] of the Credit Agreement. In particular, each of the Guarantors shall not own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Guarantee as a Guarantor on the Closing Date, (ii) any Subsidiary formed or acquired after the Closing Date which joins this Guarantee as a Guarantor pursuant to Section 27 below or (iii) any Non-Restricted Person. To the extent that the obligations set forth in Section 7.3 [Reporting Requirements] are obligations which, by their nature, can only be performed and/or satisfied by the Borrower and/or by Hovnanian, each of the Guarantors shall fully cooperate with the Borrower and with Hovnanian in their respective efforts to comply with their respective obligations set forth therein.

27. Any Subsidiary of Hovnanian which is required to join this Guarantee as a Guarantor pursuant to Section 26 hereof or which is to become a Restricted Subsidiary shall execute and deliver to the Agent (i) a Guarantor Joinder pursuant to which it shall join as a Guarantor this Guarantee; and (ii) at the request of the Agent, documents in the forms described in Section 6.1 [First Loans and Letters of Credit] of the Credit Agreement, modified as appropriate to relate to such new Guarantor. Such new Guarantor shall deliver such Guarantor Joinder and any related documents that the Agent may reasonably request to the Agent after the formation thereof and its designation as a Restricted Subsidiary, and such Subsidiary shall not be a Restricted Subsidiary until the delivery and effectiveness of the items required herein.

28. All of the representations and warranties of the Guarantors contained herein (either directly or indirectly) or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of the Credit Agreement by any other party, including the Agent and the Lenders, any investigation by the Agent or the Lenders, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Guarantors contained in this Guarantee shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit under the Credit Agreement, and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit.

29. Notwithstanding the other provisions contained herein, at such time as the Guaranteed Indebtedness shall have been paid in full, this Guarantee and all obligations of the Agent and each Guarantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party. At the request and sole expense of the Guarantors, following any such termination, the Agent shall execute and deliver to the Guarantors such documents as the Guarantors shall reasonably request to evidence such termination.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

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**[SIGNATURE PAGE 1 OF 35 TO THE GUARANTY AGREEMENT]**

IN WITNESS WHEREOF, each Guarantor and the Agent, intending to be legally bound, have executed this Guarantee on the date first above written.

**HOVNANIAN ENTERPRISES, INC.**

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

ARROW PROPERTIES, INC.

HOVNANIAN DEVELOPMENTS OF FLORIDA,  
INC.

K. HOV INTERNATIONAL, INC.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNANIAN ACQUISITIONS, INC.

K. HOVNANIAN AT BALLANTRAE, INC.

K. HOVNANIAN AT BERNARDS IV, INC.

K. HOVNANIAN AT BRANCHBURG III, INC.

K. HOVNANIAN AT BRIDGEPORT, INC.

K. HOVNANIAN AT BRIDGEWATER VI, INC.

K. HOVNANIAN AT BURLINGTON III, INC.

K. HOVNANIAN AT BURLINGTON, INC.

K. HOVNANIAN AT CALABRIA, INC.

K. HOVNANIAN AT CARMEL DEL MAR, INC.

K. HOVNANIAN AT CASTILE, INC.

K. HOVNANIAN AT CHAPARRAL, INC.

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**[SIGNATURE PAGE 2 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT CLARKSTOWN, INC.

K. HOVNANIAN AT CRESTLINE, INC.

K. HOVNANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNANIAN AT EAST WHITELAND I, INC.

K. HOVNANIAN AT FREEHOLD TOWNSHIP I,  
INC.

K. HOVNANIAN AT HERSHEY'S MILL, INC.

K. HOVNANIAN AT HACKETTSTOWN, INC.  
K. HOVNANIAN AT HIGHLAND VINEYARDS,  
INC.  
K. HOVNANIAN AT HOPEWELL IV, INC.  
K. HOVNANIAN AT HOPEWELL VI, INC.  
K. HOVNANIAN AT HOWELL TOWNSHIP,  
INC.  
K. HOVNANIAN AT KINGS GRANT I, INC.  
K. HOVNANIAN AT KLOCKNER FARMS, INC.  
K. HOVNANIAN AT LA TERRAZA, INC.  
K. HOVNANIAN AT LA TROVATA, INC.  
K. HOVNANIAN AT LAKEWOOD, INC.  
K. HOVNANIAN AT LOWER SAUCON, INC.  
K. HOVNANIAN AT MAHWAH II, INC.  
K. HOVNANIAN AT MAHWAH V, INC.  
K. HOVNANIAN AT MAHWAH VI, INC.  
K. HOVNANIAN AT MAHWAH VII, INC.  
K. HOVNANIAN AT MANALAPAN, INC.  
K. HOVNANIAN AT MARLBORO II, INC.

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**[SIGNATURE PAGE 3 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT MARLBORO TOWNSHIP  
IV, INC.  
K. HOVNANIAN AT METRO DC SOUTH, INC.  
K. HOVNANIAN AT MONTCLAIR NJ, INC.  
K. HOVNANIAN AT MONTGOMERY I, INC.  
K. HOVNANIAN AT MONROE II, INC.  
K. HOVNANIAN AT NORTHERN  
WESTCHESTER, INC.  
K. HOVNANIAN AT NORTHLAKE, INC.  
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNANIAN AT OCEAN WALK, INC.  
K. HOVNANIAN AT PERKIOMEN I, INC.  
K. HOVNANIAN AT PERKIOMEN II, INC.  
K. HOVNANIAN AT PLAINSBORO III, INC.  
K. HOVNANIAN AT PRINCETON, INC.  
K. HOVNANIAN AT RANCHO CRISTIANITOS,  
INC.  
K. HOVNANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNANIAN AT SAN SEVAINE, INC.

K. HOVNANIAN AT SARATOGA, INC.  
K. HOVNANIAN AT SAWMILL, INC.  
K. HOVNANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNANIAN AT SCOTCH PLAINS, INC.  
K. HOVNANIAN AT SMITHVILLE, INC.  
K. HOVNANIAN AT SOUTH BRUNSWICK III,  
INC.

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**[SIGNATURE PAGE 4 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SOUTH BRUNSWICK V,  
INC.  
K. HOVNANIAN AT STONE CANYON, INC.  
K. HOVNANIAN AT STONY POINT, INC.  
K. HOVNANIAN AT SYCAMORE, INC.  
K. HOVNANIAN AT TANNERY HILL, INC.  
K. HOVNANIAN AT THE BLUFF, INC.  
K. HOVNANIAN AT THE CEDARS, INC.  
K. HOVNANIAN AT THORNBURY, INC.  
K. HOVNANIAN AT TIERRASANTA, INC.  
K. HOVNANIAN AT TUXEDO, INC.  
K. HOVNANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP I, INC.  
K. HOVNANIAN AT UPPER MAKEFIELD I,  
INC.  
K. HOVNANIAN AT VAIL RANCH, INC.  
K. HOVNANIAN AT WALL TOWNSHIP VI,  
INC.  
K. HOVNANIAN AT WALL TOWNSHIP VIII,  
INC.  
K. HOVNANIAN AT WASHINGTONVILLE,  
INC.  
K. HOVNANIAN AT WAYNE III, INC.  
K. HOVNANIAN AT WAYNE V, INC.  
K. HOVNANIAN AT WILDROSE, INC.  
K. HOVNANIAN COMPANIES NORTHEAST,  
INC.

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**[SIGNATURE PAGE 5 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN COMPANIES OF  
CALIFORNIA, INC.  
K. HOVNANIAN COMPANIES OF

MARYLAND, INC.

K. HOVNIANIAN COMPANIES OF METRO  
WASHINGTON, INC.

K. HOVNIANIAN COMPANIES OF NEW YORK,  
INC.

K. HOVNIANIAN COMPANIES OF NORTH  
CAROLINA, INC.

K. HOVNIANIAN COMPANIES OF  
PENNSYLVANIA, INC.

K. HOVNIANIAN COMPANIES OF SOUTHERN  
CALIFORNIA, INC.

K. HOVNIANIAN CONSTRUCTION II, INC.

K. HOVNIANIAN CONSTRUCTION III, INC.

K. HOVNIANIAN CONSTRUCTION  
MANAGEMENT, INC.

K. HOVNIANIAN DEVELOPMENT OF METRO  
WASHINGTON, INC.

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  
ILLINOIS, INC.

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**[SIGNATURE PAGE 6 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN DEVELOPMENTS OF  
MARYLAND, INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO  
WASHINGTON, INC.

K. HOVNIANIAN DEVELOPMENTS OF  
MICHIGAN, 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 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 WEST  
VIRGINIA, INC.

K. HOVNIANIAN ENTERPRISES, INC.

K. HOVNIANIAN EQUITIES, INC.

K. HOVNIANIAN FORECAST HOMES, INC.

K. HOVNIANIAN HOMES OF NORTH  
CAROLINA, INC.

K. HOVNIANIAN HOMES OF VIRGINIA, INC.

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**[SIGNATURE PAGE 7 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN INVESTMENT PROPERTIES  
OF NEW JERSEY, INC.

K. HOVNIANIAN PA REAL ESTATE, INC.

K. HOVNIANIAN PORT IMPERIAL URBAN  
RENEWAL, INC.

K. HOVNIANIAN PROPERTIES OF NEWARK  
URBAN RENEWAL CORPORATION, INC.

K. HOVNIANIAN PROPERTIES OF NORTH  
BRUNSWICK V, INC.

K. HOVNIANIAN PROPERTIES OF WALL, INC.

KHC ACQUISITION, INC.

LANDARAMA, INC.

M&M AT LONG BRANCH, INC.

MATZEL & MUMFORD OF DELAWARE, INC.

MCNJ, INC.

PINE BROOK COMPANY, INC.

REFLECTIONS OF YOU INTERIORS, INC.

SEABROOK ACCUMULATION  
CORPORATION

STONEBROOK HOMES, INC.

THE MATZEL & MUMFORD ORGANIZATION,  
INC.

WASHINGTON HOMES, INC.

WESTMINSTER HOMES OF TENNESSEE, INC.

WESTMINSTER HOMES, INC.

WH LAND I, INC.

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**[SIGNATURE PAGE 8 OF 35 TO THE GUARANTY AGREEMENT]**

WH PROPERTIES, INC.

By: \_\_\_\_\_  
J. Larry Sorsby  
On behalf of, and as Executive Vice  
President and Chief Financial Officer of  
each of the foregoing corporations

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN HOMES OF D.C., L.L.C.

By: K. Hovnanian Developments of D.C., Inc.,  
as the sole member of the foregoing limited  
liability company

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
MARYLAND, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF  
NORTH CAROLINA, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP,  
L.L.C.

K. HOVNANIAN AT KING FARM, L.L.C.

K. HOVNANIAN AT RODERUCK. L.L.C.

K. HOVNANIAN AT WILLOW BROOK, L.L.C.

K. HOVNANIAN COMPANIES OF METRO D.C.  
NORTH, L.L.C.

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**[SIGNATURE PAGE 9 OF 35 TO THE GUARANTY AGREEMENT]**

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 ST.  
MARGARETS LANDING, L.L.C.

RIDGEMORE UTILITY, L.L.C.

WASHINGTON HOMES AT COLUMBIA TOWN  
CENTER, L.L.C.

WESTMINSTER HOMES OF ALABAMA, L.L.C.

WESTMINSTER HOMES OF MISSISSIPPI,  
L.L.C.

WOODLAND LAKES CONDOS @ BOWIE  
NEWTOWN, L.L.C.

By: K. Hovnanian Developments of Maryland,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

DULLES COPPERMINE, L.L.C.

HOVNIANIAN LAND INVESTMENT GROUP OF  
VIRGINIA, L.L.C.

K. HOVNIANIAN AT LAKE RIDGE CROSSING,  
L.L.C.

K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.

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**[SIGNATURE PAGE 10 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN FOUR SEASONS AT  
HISTORIC VIRGINIA, L.L.C.

K. HOVNIANIAN HOMES AT CAMERON  
STATION, L.L.C.

K. HOVNIANIAN HOMES AT LAUREL  
HIGHLANDS, L.L.C.

K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT  
ASHBURN VILLAGE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT VINT  
HILL, L.L.C.

By: K. Hovnianian Developments of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

EDISON CONTRACT SERVICES, L.L.C.

K. HOVNIANIAN AT BARNEGAT I, L.L.C.

K. HOVNIANIAN AT BERKELEY, L.L.C.

K. HOVNIANIAN AT BERNARDS V, L.L.C.

K. HOVNIANIAN AT BLUE HERON PINES,  
L.L.C.

K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.

K. HOVNIANIAN AT CAMDEN I, L.L.C.

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**[SIGNATURE PAGE 11 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNANIAN AT CHESTER I, L.L.C.  
K. HOVNANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNANIAN AT CLIFTON II, L.L.C.  
K. HOVNANIAN AT CLIFTON, L.L.C.  
K. HOVNANIAN AT CRANBURY, L.L.C.  
K. HOVNANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNANIAN AT DENVILLE, L.L.C.  
K. HOVNANIAN AT DEPTFORD TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT EDGEWATER II, L.L.C.  
K. HOVNANIAN AT EDGEWATER, L.L.C.  
K. HOVNANIAN AT EGG HARBOR  
TOWNSHIP, 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, L.L.C.  
K. HOVNANIAN AT FREEHOLD TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT GREAT NOTCH, L.L.C.  
K. HOVNANIAN AT GUTTENBERG, L.L.C.  
K. HOVNANIAN AT HACKETTSTOWN II,  
L.L.C.

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**[SIGNATURE PAGE 12 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT HAMBURG  
CONTRACTORS, L.L.C.  
K. HOVNANIAN AT HAMBURG, L.L.C.  
K. HOVNANIAN AT HAWTHORNE, L.L.C.  
K. HOVNANIAN AT JACKSON I, L.L.C.  
K. HOVNANIAN AT JACKSON, L.L.C.  
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNANIAN AT JERSEY CITY V URBAN  
RENEWAL COMPANY, L.L.C.  
K. HOVNANIAN AT LAFAYETTE ESTATES,  
L.L.C.  
K. HOVNANIAN AT LAWRENCE V, L.L.C.  
K. HOVNANIAN AT LINWOOD, L.L.C.  
K. HOVNANIAN AT LITTLE EGG HARBOR  
TOWNSHIP II, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR  
CONTRACTORS, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR,  
L.L.C.

K. HOVNANIAN AT LONG BRANCH I, 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 MARLBORO TOWNSHIP  
IX, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP  
V, L.L.C.

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**[SIGNATURE PAGE 13 OF 35 TO THE GUARANTY AGREEMENT]**

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 MENDHAM TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT MIDDLE TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT MIDDLETOWN II, L.L.C.

K. HOVNANIAN AT MIDDLETOWN, L.L.C.

K. HOVNANIAN AT MILLVILLE I, L.L.C.

K. HOVNANIAN AT MILLVILLE II, L.L.C.

K. HOVNANIAN AT MONROE III, L.L.C.

K. HOVNANIAN AT MONROE IV, L.L.C.

K. HOVNANIAN AT MONTVALE, L.L.C.

K. HOVNANIAN AT MT. OLIVE TOWNSHIP,  
L.L.C.

K. HOVNANIAN AT NORTH BERGEN II, 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,  
L.L.C.

K. HOVNANIAN AT NORTH HALEDON, L.L.C.

K. HOVNANIAN AT NORTH WILDWOOD,  
L.L.C.

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**[SIGNATURE PAGE 14 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT NORTHFIELD, L.L.C.  
K. HOVNANIAN AT OLD BRIDGE, L.L.C.  
K. HOVNANIAN AT PARAMUS, L.L.C.  
K. HOVNANIAN AT PARSIPPANY-TROY  
HILLS, L.L.C.  
K. HOVNANIAN AT PITTSBORO, L.L.C.  
K. HOVNANIAN AT RANDOLPH I, L.L.C.  
K. HOVNANIAN AT READINGTON II, L.L.C.  
K. HOVNANIAN AT RED BANK, L.L.C.  
K. HOVNANIAN AT SAYREVILLE, L.L.C.  
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNANIAN AT SOMERS POINT, L.L.C.  
K. HOVNANIAN AT SOUTH BRUNSWICK,  
L.L.C.  
K. HOVNANIAN AT SPRINGFIELD, L.L.C.  
K. HOVNANIAN AT TEANECK, L.L.C.  
K. HOVNANIAN AT UNION TOWNSHIP II,  
L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP II, L.L.C.  
K. HOVNANIAN AT UPPER FREEHOLD  
TOWNSHIP III, L.L.C.  
K. HOVNANIAN AT WANAQUE, L.L.C.  
K. HOVNANIAN AT WARREN TOWNSHIP,  
L.L.C.  
K. HOVNANIAN AT WASHINGTON, L.L.C.

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**[SIGNATURE PAGE 15 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT WAYNE IX, L.L.C.  
K. HOVNANIAN AT WAYNE VIII, L.L.C.  
K. HOVNANIAN AT WEST MILFORD, L.L.C.  
K. HOVNANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNANIAN AT WOODHILL ESTATES,  
L.L.C.  
K. HOVNANIAN AT WOOLWICH I, L.L.C.  
K. HOVNANIAN CENTRAL ACQUISITIONS,  
L.L.C.  
K. HOVNANIAN INVESTMENTS, L.L.C.  
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 SHORE ACQUISITIONS,  
L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY,  
L.L.C.

K. HOVNANIAN SOUTH JERSEY  
ACQUISITIONS, L.L.C.K. HOVNANIAN T&C  
INVESTMENT, L.L.C.

K. HOVNANIAN'S PRIVATE HOME  
PORTFOLIO, L.L.C.

---

**[SIGNATURE PAGE 16 OF 35 TO THE GUARANTY AGREEMENT]**

KHIP, L.L.C. By: K. Hovnanian Holdings NJ,  
L.L.C., as the sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of New  
Jersey, Inc., as member

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and  
Chief Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

AND

By: K. Hovnanian Developments of New  
Jersey II, Inc., as member

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and  
Chief Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
CALIFORNIA, L.L.C.

K. HOVNANIAN AT 4S II, L.L.C.

K. HOVNANIAN AT 4S, L.L.C.

K. HOVNANIAN AT ACQUA VISTA, L.L.C.

K. HOVNANIAN AT ALISO, L.L.C.

K. HOVNANIAN AT ARBOR HEIGHTS, L.L.C.

K. HOVNANIAN AT BELLA LAGO, L.L.C.  
K. HOVNANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNANIAN AT CAPISTRANO, L.L.C.  
K. HOVNANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNANIAN AT CITY IN THE HILLS,  
L.L.C.  
K. HOVNANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNANIAN AT EASTLAKE, L.L.C.  
K. HOVNANIAN AT ENCINITAS RANCH,  
L.L.C.  
K. HOVNANIAN AT GASLAMP SQUARE,  
L.L.C.  
K. HOVNANIAN AT HIGHWATER, L.L.C.  
K. HOVNANIAN AT LA COSTA, L.L.C  
K. HOVNANIAN AT LA HABRA KNOLLS,  
L.L.C.  
K. HOVNANIAN AT MENIFEE, L.L.C.  
K. HOVNANIAN AT MOSAIC, L.L.C.  
K. HOVNANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNANIAN AT PARK LANE, L.L.C.  
K. HOVNANIAN AT RANCHO SANTA  
MARGARITA, L.L.C.  
K. HOVNANIAN AT RIVERBEND II, L.L.C.  
K. HOVNANIAN AT RIVERBEND, L.L.C.  
K. HOVNANIAN AT ROWLAND HEIGHTS,  
L.L.C.

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**[SIGNATURE PAGE 18 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT SHELF COMPANY, L.L.C.  
K. HOVNANIAN AT SKYE ISLE, L.L.C.  
K. HOVNANIAN AT SUNSETS, L.L.C.  
K. HOVNANIAN AT THE CROSBY, L.L.C.  
K. HOVNANIAN AT THE GABLES, L.L.C.  
K. HOVNANIAN AT THE PRESERVE, L.L.C.  
K. HOVNANIAN AT THOMPSON RANCH,  
L.L.C.  
K. HOVNANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNANIAN AT WINCHESTER, L.L.C.  
K. HOVNANIAN T&C MANAGEMENT CO.,  
L.L.C.



K. HOVNANIAN'S FOUR SEASONS AT  
BAKERSFIELD, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
HEMET, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
MENIFEE VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM  
SPRINGS, L.L.C.

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**[SIGNATURE PAGE 19 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN'S FOUR SEASONS, L.L.C.

By: K. Hovnanian Developments of California,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN HOLDINGS NJ, L.L.C.

By: K. Hovnanian Developments of New Jersey,  
Inc., as member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

AND

By: K. Hovnanian Developments of New Jersey  
II, Inc., as member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 20 OF 35 TO THE GUARANTY AGREEMENT]**

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 NORTHAMPTON. L.L.C.

K. HOVNANIAN AT RAPHO, L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN II,  
L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNANIAN AT WEST BRADFORD, L.L.C.

K. HOVNANIAN HOMES OF PENNSYLVANIA,  
L.L.C.

K. HOVNANIAN PENNSYLVANIA  
ACQUISITIONS, L.L.C.

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**[SIGNATURE PAGE 21 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN SUMMIT HOMES OF  
PENNSYLVANIA, L.L.C.

By: K. Hovnanian Companies of Pennsylvania,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

HOVNANIAN LAND INVESTMENT GROUP OF  
FLORIDA, L.L.C.

K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.

K. HOVNANIAN HOMES AT CAMP SPRINGS,  
L.L.C.

K. HOVNANIAN HOMES AT FOREST RUN,  
L.L.C.

K. HOVNANIAN HOMES AT RENAISSANCE  
PLAZA, L.L.C.

K. HOVNANIAN HOMES AT RUSSETT, L.L.C.

K. HOVNANIAN WINDWARD HOMES, L.L.C.

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**[SIGNATURE PAGE 22 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN HOMES OF MARYLAND,  
L.L.C.

By: Hovnanian Developments of Florida, Inc., as  
the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby

Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN COMPANIES, LLC

By: K. Hovnanian Enterprises, Inc., as member  
of the foregoing limited liability company.

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

AND

By: K. Hovnanian Developments of New Jersey  
II, Inc., as member of each of the foregoing  
limited liability companies.

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 23 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN EASTERN PENNSYLVANIA,  
L.L.C.

By: K. Hovnanian at Perkiomen II, Inc., as the  
sole member of the foregoing limited  
liability company.

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN FOUR SEASONS AT GOLD  
HILL, L.L.C.

K. HOVNANIAN HOMES OF SOUTH  
CAROLINA, L.L.C.

By: K. Hovnanian Developments of South  
Carolina, Inc., as the sole member of each of  
the foregoing limited liability companies.

By:

\_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_

Peter S. Reinhart  
Secretary

K. HOVNIANIAN GREAT WESTERN BUILDING  
COMPANY, LLC

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**[SIGNATURE PAGE 24 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN GREAT WESTERN HOMES,  
L.L.C.

By: K. Hovnianian Developments of Arizona, Inc., as the  
sole member of each of the foregoing limited  
liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN AT HIGHLAND SHORES,  
L.L.C.

K. HOVNIANIAN HOMES OF MINNESOTA,  
L.L.C.

By: K. Hovnianian Developments of Minnesota,  
Inc., as the sole member of each of the  
foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN OHIO REALTY, L.L.C.

K. HOVNIANIAN SUMMIT HOMES, L.L.C.

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**[SIGNATURE PAGE 25 OF 35 TO THE GUARANTY AGREEMENT]**

MIDWEST BUILDING PRODUCTS &  
CONTRACTOR SERVICES, L.L.C.

By: K. Hovnianian Developments of Ohio, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN HOMES OF WEST VIRGINIA,  
L.L.C.

K. HOVNIANIAN SUMMIT HOMES OF WEST  
VIRGINIA, L.L.C.

By: K. Hovnianian Developments of West  
Virginia, Inc., as the sole member of each of  
the foregoing limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 26 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNIANIAN SUMMIT HOMES OF  
MICHIGAN, L.L.C.

By: K. Hovnianian Developments of Michigan,  
Inc., as the sole member of the foregoing  
limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

KINGS COURT AT MONTGOMERY, L.L.C.

M&M AT CHESTERFIELD, L.L.C.

M&M AT KENSINGTON WOODS, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT APPLE RIDGE, L.L.C.

M&M AT BROOKHILL, L.L.C.

M&M AT EAST MILL, L.L.C.

M&M AT HERITAGE WOODS, L.L.C.

M&M AT MORRISTOWN, L.L.C.

M&M AT SHERIDAN, L.L.C.

M&M AT SPARTA, L.L.C.

M&M AT SPINNAKER POINTE, L.L.C.

M&M AT SPRUCE HOLLOW, L.L.C.

M&M AT SPRUCE MEADOWS, L.L.C.

M&M AT SPRUCE RUN, L.L.C.

**[SIGNATURE PAGE 27 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT THE HIGHLANDS, L.L.C.

MATZEL & MUMFORD AT CRANBURY  
KNOLL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR,  
L.L.C.

MATZEL & MUMFORD AT FREEHOLD, L.L.C.

MATZEL & MUMFORD AT HERITAGE  
LANDING, L.L.C.

MATZEL & MUMFORD AT MONTGOMERY,  
L.L.C.

MATZEL & MUMFORD AT PHILLIPSBURG,  
L.L.C.

MATZEL & MUMFORD AT SOUTH  
BRUNSWICK, L.L.C.

MATZEL & MUMFORD AT WOODLAND  
CREST, L.L.C.

THE LANDINGS AT SPINNAKER POINTE,  
L.L.C.

By: The Matzel & Mumford Organization, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

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**[SIGNATURE PAGE 28 OF 35 TO THE GUARANTY AGREEMENT]**

M&M AT ROBERT MORRIS, L.L.C.

M&M AT TAMARACK HOLLOW, L.L.C.

M&M AT WHEATENA URBAN RENEWAL,  
L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND  
BROOK URBAN RENEWAL, L.L.C.

MMIP, L.L.C.

By: M&M Investments, LP, as the sole member  
of each of the foregoing limited liability  
companies.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest:

\_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNIANIAN HOMES AT FAIRWOOD,  
L.L.C.

K. HOVNIANIAN HOMES AT MAXWELL  
PLACE. L.L.C.

K. HOVNIANIAN HOMES AT MAXWELL  
PLACE. L.L.C.

PADDOCKS, L.L.C.

---

**[SIGNATURE PAGE 29 OF 35 TO THE GUARANTY AGREEMENT]**

PINE AYR, L.L.C.

By: K. Hovnanian Homes of Maryland, L.L.C.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

HOVNIANIAN LAND INVESTMENT GROUP OF  
TEXAS, L.L.C.

By: Goodman Family of Builders, L.P., as the  
sole member of each of the foregoing  
limited liability companies.

By: K. Hovnanian Developments of  
Florida, as general partner of each of  
the foregoing limited partnerships.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice  
President and  
Chief Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 30 OF 35 TO THE GUARANTY AGREEMENT]**

NORTH MANATEE, L.L.C.

By: Hovnanian Land Investment Group of  
Florida, L.L.C., as the sole member of the  
foregoing limited liability company.

By: \_\_\_\_\_

J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN AT YONKERS I, L.L.C.

K. HOVNANIAN AT YONKERS II, L.L.C.

---

**[SIGNATURE PAGE 31 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN AT YONKERS III, L.L.C.

By: K. Hovnanian at Northern Westchester, Inc.,  
as the sole member of each of the foregoing  
limited liability companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY CONDOMINIUM, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT  
DULLES DISCOVERY, L.L.C.

By: K. Hovnanian Development of Metro  
Washington, Inc., as the sole member of  
each of the foregoing limited liability  
companies.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 32 OF 35 TO THE GUARANTY AGREEMENT]**

K. HOVNANIAN HOMES OF DELAWARE,  
L.L.C.

By: K. Hovnanian Developments of Delaware,  
Inc., as the sole member of the foregoing  
limited liability company.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_



Peter S. Reinhart  
Secretary

K. HOVNIANIAN AT MENIFEE VALLEY  
CONDOMINIUMS, L.L.C.

By: K. Hovnianian's Four Seasons At Meniffee  
Valley, L.L.C.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 33 OF 35 TO THE GUARANTY AGREEMENT]**

GOODMAN FAMILY OF BUILDERS, L.P.

By: K. Hovnianian Developments of Florida, as  
general partner of the foregoing limited  
partnership.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

K. HOVNIANIAN OF HOUSTON II, L.P.

K. HOVNIANIAN OF HOUSTON, L.P.

By: K. Hovnianian Developments of Texas, Inc.,  
as general partner of each of the foregoing  
limited partnerships.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_  
Peter S. Reinhart  
Secretary

---

**[SIGNATURE PAGE 34 OF 35 TO THE GUARANTY AGREEMENT]**

M&M INVESTMENTS, L.P.

By: The Matzel & Mumford Organization, Inc.,  
as general partner of the foregoing limited  
partnership.

By: \_\_\_\_\_  
J. Larry Sorsby  
Executive Vice President and Chief  
Financial Officer

Attest: \_\_\_\_\_

Peter S. Reinhart  
Secretary

Address for Notices for each of the foregoing  
Guarantors:

c/o K. Hovnanian Enterprises, Inc.  
10 Route 35, P.O. Box 500  
Red Bank, NJ 07701  
Attention: Kevin C. Hake  
Telephone: (732) 747-7800  
Telecopy: (732) 747-6835

---

**[SIGNATURE PAGE 35 OF 35 TO THE GUARANTY AGREEMENT]**

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

**EXHIBIT 1.1.(G)(2)**

**FORM OF  
JOINDER AND ASSUMPTION AGREEMENT**

This JOINDER AND ASSUMPTION AGREEMENT is made \_\_\_\_\_ by \_\_\_\_\_, a \_\_\_\_\_ (the "New Guarantor").

BACKGROUND

Reference is made to (i) the Fifth Amended and Restated Credit Agreement dated June 14, 2005 as the same has been made and may be modified, supplemented or amended, including on the date hereof, (the "Agreement") among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for itself and the other Lenders under the Credit Agreement (the "Agent"), (ii) the Guaranty Agreement of each of the Guarantors issued to Lenders and Agent, as the same may be modified, supplemented or amended, and (iii) the other Loan Documents referred to in the Agreement, as the same may be modified, supplemented or amended. Capitalized terms defined in the Agreement are used herein as defined therein.

In consideration of the New Guarantor becoming a Guarantor entitled to receive loans or advances from Borrower under the terms of the Agreement and in consideration of the value of the synergistic benefits received by New Guarantor as a result of becoming affiliated with Borrower and the Guarantors, the New Guarantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Guarantor under the Agreement, the Guaranty Agreement and each of the other Loan Documents to which the Guarantors are a party and agrees that from the date hereof and so long as the Commitment of any Lender shall remain outstanding and until the payment in full of the Loans and the Notes and the performance of all other obligations of Borrower under the Loan Documents, New Guarantor has assumed the obligations of a Guarantor under, and New Guarantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of the Agreement, the Guaranty Agreement and each of the other Loan Documents which are stated to apply to or are made by a Guarantor. Without limiting the generality of the foregoing, the New Guarantor hereby represents and warrants that (i) each of the representations and warranties set forth in Section 5 of the Agreement is true and correct as to New Guarantor on and as of the date hereof as if made on and as of the date hereof by New Guarantor and (ii) New Guarantor has heretofore received a true and correct copy of the Agreement, the Guaranty Agreement and each of the other Loan Documents (including any modifications thereof or supplements or waivers thereto) as in effect on the date hereof.

New Guarantor hereby makes, affirms, and ratifies in favor of the Lenders and the Agent the Agreement, the Guaranty Agreement and each of the other Loan Documents given by the Guarantors to Agent and any of the Lenders.

---

In furtherance of the foregoing, New Guarantor 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 or proper in the opinion of Agent to carry out more effectively the provisions and purposes of this Joinder and Assumption Agreement.

IN WITNESS WHEREOF, the New Guarantor has duly executed this Joinder and Assumption Agreement and delivered the same to the Agent for the benefit of the Lenders, as of the date and year first above written.

[NAME OF NEW GUARANTOR]

By: \_\_\_\_\_

Acknowledged and accepted:

PNC BANK, NATIONAL ASSOCIATION, as Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT 1.1 (R)**  
**FORM OF**  
**[AMENDED AND RESTATED] REVOLVING CREDIT NOTE**

Pittsburgh, Pennsylvania  
, 2005

\$

FOR VALUE RECEIVED, the undersigned, K. HOVNIANIAN ENTERPRISES, INC., a California corporation (herein called the "Borrower"), hereby promises to pay to the order of \_\_\_\_\_ (the "Lender") the lesser of (i) the principal sum of \_\_\_\_\_ U.S. Dollars (U.S. \$ \_\_\_\_\_), and (ii) the aggregate unpaid principal balance of all Revolving Credit Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Fifth Amended and Restated Credit Agreement dated June 14, 2005 among the Borrower, Hovnianian Enterprises, Inc., as a Guarantor, the Lenders now or hereafter party thereto, PNC Bank, National Association, as administrative agent for the Lenders (the "Agent") and the Lender (the "Credit Agreement"), payable on the Expiration Date.

The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate or rates per annum specified by the Borrower pursuant to Section 3.1 of, or as otherwise provided in, the Credit Agreement.

To the extent permitted by Law, upon the occurrence of an Event of Default under Sections 8.1.1, 8.1.10, 8.1.14 and/or 8.1.15 of the Credit Agreement, or the Obligations are accelerated under the Credit Agreement, and until such time such Event of Default shall have been cured or waived, the Borrower shall pay interest on all past due principal and all past due accrued interest thereon and fees and expenses and each other past due Obligation at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional three hundred basis points (3.0% per annum) from the time such Obligation becomes due and payable and until it is paid in full (the "Default Rate").

Interest on this Revolving Credit Note will be payable as provided in the Credit Agreement.

If any payment or action to be made or taken hereunder shall be stated to be or become due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day (or the prior Business Day in respect of certain Revolving Credit Loans to which the LIBO-Rate Option applies) and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature at the Principal Office of the Agent, in lawful money of the United States of America in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement and the other Loan Documents, including the representations, warranties, covenants, conditions, security interests or liens contained or granted therein. The Credit Agreement among other things contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayment, in certain circumstances, on account of principal hereof prior to maturity upon the terms and conditions therein specified.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings given to such terms in the Credit Agreement.

Except as otherwise provided in the Credit Agreement, the Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Credit Agreement.

This Note shall bind the Borrower and its successors and assigns, and the benefits hereof shall inure to the benefit of the Lender, the Agent and their successors and assigns. All references herein to the "Borrower", the "Lender" and the "Agent" shall be deemed to apply to the Borrower, the Lender and the Agent, respectively, and their respective successors and assigns.

[This Note replaces and supersedes the Amended and Restated Revolving Credit Note dated June 18, 2004, in the principal amount of \$ \_\_\_\_\_, (the "Prior Note"). To the extent that the principal balance of this Note includes the Borrower's indebtedness hitherto evidenced by the Prior Note, this Note (i) merely re-evidences the indebtedness hitherto evidenced by the Prior Note, (ii) is given as substitution for, and not as payment of, the Prior Note, and (iii) is in no way intended to constitute a novation of the Prior Note. Maker hereby agrees that this Note shall in all respects take the place of and include the principal amount of the Prior Note.]

This Note and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed by and construed and enforced in accordance with the internal laws of the State of New Jersey without giving effect to its conflicts of law principles.

[SIGNATURE PAGE 1 OF 1 TO REVOLVING CREDIT NOTE]

IN WITNESS WHEREOF, the undersigned has executed this Note by its duly authorized officers.

K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT 1.1(S)  
FORM OF  
SWING LOAN NOTE

\$ \_\_\_\_\_ East Brunswick, New Jersey

FOR VALUE RECEIVED, the undersigned, K. HOVNANIAN ENTERPRISES, INC., a California corporation (herein called the "Borrower"), hereby promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Lender"), the lesser of (i) the principal sum of \_\_\_\_\_ U.S. Dollars (U.S. \$ \_\_\_\_\_) and (ii) the aggregate unpaid principal amount of all "Swing Loans" made by the Lender to the Borrower pursuant to the Fifth Amended and Restated Credit Agreement dated June 14, 2005, among the Borrower, Hovnanian Enterprises, Inc., as Guarantor, the Lenders now or hereafter party thereto and PNC Bank, National Association, as administrative agent (the "Agent") (as amended, the "Credit Agreement"), payable on the Expiration Date. The Borrower shall pay interest on the unpaid principal balance hereof from time to time outstanding from the date hereof at the rate provided in the Credit Agreement.

Interest hereon will be payable at the times specified in the Credit Agreement.

If any payment of principal or interest on this Note shall be requested or is payable on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest in connection with payment.

Subject to the provisions of the Credit Agreement, payments of both principal and interest shall be made without setoff, counterclaim or other deduction of any nature at the Principal Office of the Agent in lawful money of the United States of America in immediately available funds.

This Note is the Swing Loan Note and is subject to the provisions of, and is entitled to the security provided for in and the other benefits of the Credit Agreement and the other Loan Documents.

Except as otherwise provided in the Credit Agreement, the Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note and the Credit Agreement.

All capitalized terms used herein shall, unless otherwise defined herein, have the same meanings assigned to such terms in the Credit Agreement.

This Note shall bind the Borrower and its respective successors and assigns, and the benefits hereof shall inure to the benefit of the Agent, the Lenders and their successors and

assigns. All references herein to the "Borrower," the "Agent" and the "Lenders" shall be deemed to apply to the Borrower, the Agent and the Lenders, respectively, and their respective successors and assigns.

This Note and any other documents delivered in connection herewith and the rights and obligations of the parties hereto and thereto shall for all purposes be governed by and construed and enforced in accordance with the substantive law of the State of New Jersey without giving effect to the principles of conflict of laws.

[SIGNATURE PAGE 1 OF 1 TO SWING LOAN NOTE]

IN WITNESS WHEREOF, the undersigned has executed this Note by its duly authorized officers.

K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

**EXHIBIT 2.4.1**

**FORM OF  
LOAN REQUEST**

TO: **PNC BANK, NATIONAL ASSOCIATION, as agent**  
Telephone No.: 732-220-3566  
Telecopier No.: 732-220-3744  
Attention: **Mr. Douglas G. Paul**

FROM: **K. HOVNANIAN ENTERPRISES, INC.**

RE: Fifth Amended and Restated Credit Agreement (the "Credit Agreement") dated June 14, 2005 by and between K. HOVNANIAN ENTERPRISES, INC. (the "Company"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders from time to time parties thereto, and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

A. Pursuant to Section 2.4 of the Credit Agreement the undersigned hereby makes the following Loan Request:

1. Aggregate Principal Amount of Loan [amount shall be in integral multiples of \$500,000 and not be less than \$2,500,000 for each Borrowing Tranche to which the LIBO-Rate Option applies and amount shall be in integral multiples of \$100,000 and not be less than \$500,000 for each Borrowing Tranche to which to the Base Rate Option applies] U.S. \$
2. Proposed Borrowing Date: **[must be at least 3 Business Days after receipt by 11:00 a.m. by Agent of this Loan Request with respect to Loans to which the LIBO-Rate Option applies and no earlier than the same day with respect to Loans to which the Base Rate Option applies]**
3. Place of Payment:
4. Length of Interest Period  
(if LIBO-Rate Option elected):  
**[must be: one, two, three or six months]**

B. Borrower elects that interest on the Loan requested hereby shall be based on the LIBO-Rate Option/Base Rate Option (circle one) and shall be calculated in accordance with Section 3 of the Credit Agreement.

C. As of the date hereof and the date of making of the Loan: the representations and warranties contained in Section 5 of the Credit Agreement are and will be true in all material respects (except representations and warranties that expressly relate solely to an earlier date or time, which representations and warranties were true in all material respects on and as of the specific date referred to therein); and no Event of Default or Potential Default has occurred and is continuing or shall exist. The undersigned certifies to the accuracy of the foregoing.

K. HOVNANIAN ENTERPRISES, INC.

Date: \_\_\_\_\_ By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT 2.4.2**

**FORM OF  
SWING LOAN REQUEST**

TO: **PNC BANK, NATIONAL ASSOCIATION**  
Telephone No.: 732-220-3566  
Telecopier No.: 732-220-3744  
Attention: **Mr. Douglas G. Paul**

FROM: **K. HOVNANIAN ENTERPRISES, INC.**

RE: Fifth Amended and Restated Credit Agreement (the "Credit Agreement") dated June 14, 2005 by and among K. HOVNANIAN

ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto, and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Lenders (the "Agent"), as amended, restated, supplemented or modified from time to time.

Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

Pursuant to Section 2.4.2 of the Credit Agreement, the undersigned hereby makes the following Swing Loan Request:

1. Aggregate Principal Amount of Swing Loans: US\$  
[amount shall not be less than \$100,000]
2. Proposed Borrowing Date: [this Swing Loan Request must be delivered to PNC Bank not later than 2:00 p.m. Eastern time on the proposed Borrowing Date]

3. As of the date hereof and the date of making of the Swing Loan requested hereby: the representations and warranties of the Loan Parties contained in Section 5 of the Credit Agreement and in the other Loan Documents are and will be true in all material respects (except representations and warranties that expressly relate solely to an earlier date or time, which representations and warranties were true in all material respects on and as of the specific dates or times referred to therein); and no Event of Default or Potential Default has occurred and is continuing or shall exist.

The undersigned hereby certifies the accuracy of the foregoing.

K. HOVNANIAN ENTERPRISES, INC.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 2.12.1-1**

**FORM OF  
REVOLVING CREDIT COMMITMENT INCREASE AGREEMENT**

This Revolving Credit Commitment Increase Agreement (the "Acknowledgement") is made \_\_\_\_\_ by \_\_\_\_\_, a  
(the "Increasing Bank").

Background

Reference is made to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Agreement") by and among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor, the Lenders now or hereafter party thereto, and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for itself and the other Lenders under the Credit Agreement (the "Agent"). Capitalized terms defined in the Agreement are used herein as defined therein.

Agreement

The Increasing Lender, and each of the other parties hereto agree that, except as set forth below, effective as of the date hereof it shall increase its commitment by \$ \_\_\_\_\_ so that its total commitment shall be \$ \_\_\_\_\_. The Increasing Lender hereby acknowledges that it has heretofore received a new Note in the amount of the commitment as increased as set forth above.

Reference is made to Section 2.12 [Increase in Commitments] of the Agreement. Schedule 1.1(B) hereto sets forth the Commitments of the Increasing Lender and each of the other Lenders after giving effect to the increase on the date hereof. Schedule 1.1(B) to the Agreement is being amended and restated effective on the date hereof to read as set forth on Schedule 1.1(B) hereto. Schedule 1 hereto lists as of the date hereof the amount of Loans under each outstanding Borrowing Tranche. Notwithstanding the foregoing (a) on the date hereof the Borrower shall repay all outstanding Loans to which either of the Base Rate Option or the LIBO-Rate Option applies and simultaneously reborrow a like amount of Loans under each such Interest Rate Option from the Lenders (including the Increasing Lender) according to the Ratable Shares set forth on attached Schedule 1.1(B) and shall be subject to breakage fees and other indemnities provided in Section 4.6.2.

IN WITNESS WHEREOF, the Increasing Lender has duly executed and delivered this Joinder as of the date and year first above written.

[INCREASING LENDER]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED AND AGREED TO:

BORROWER:

K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_ (SEAL)  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AGENT AND LENDERS:

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 7.3.3.1**

**FORM OF  
QUARTERLY COMPLIANCE CERTIFICATE**

, 200

PNC Bank, National Association, as Agent  
Two Tower Center, 18th Floor  
East Brunswick, New Jersey 08816  
Attn: Douglas G. Paul, Senior Vice President  
Telecopy: (732) 220-3744

Ladies/Gentlemen:

1. I refer to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Credit Agreement") by and among K. HOVNANIAN ENTERPRISES, INC. (the "Borrower"), HOVNANIAN ENTERPRISES, INC., as a Guarantor the several LENDERS and other financial institutions from time to time parties thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings. I, \_\_\_\_\_ the \_\_\_\_\_ of the Borrower do hereby certify as of the [month/quarter/year] ended \_\_\_\_\_, 200 (the "Report Date"), that the Borrower is in compliance with the following covenants as more fully set forth and calculated on the spreadsheets attached hereto as Exhibit A - "Borrowing Base Compliance Calculations", Exhibit B - "Summary Covenant Compliance Calculations", and Exhibit C - "Detailed Covenant Compliance Calculations".

2. Transactions subject to the restrictions set forth in Section 7.2.4 of the Credit Agreement with respect to Liquidations, Mergers, Consolidations and Acquisitions are described on the additional page attached hereto.

Compliance? Yes No

3. Transactions subject to the restrictions set forth in Section 7.2.5 of the Credit Agreement with respect to Dispositions of Assets or Subsidiaries are described on the additional page attached hereto.

Compliance? Yes No

4. Transactions subject to the restrictions set forth in Section 7.2.7 of the Credit Agreement with respect to Subsidiaries, Partnerships and Joint Ventures are described on the additional page attached hereto.

Compliance? Yes No

5. Debt Rating. Based on the Debt Rating and the Leverage Ratio, the Applicable Margin to become effective as of \_\_\_\_\_ shall be \_\_\_\_\_.

6. The Loan Parties are in compliance with, and since the most recent prior Report Date has at all times complied with, the provisions of the Credit Agreement, including, without limitation, the representations and warranties contained in Article 6 thereof, except as follows:

7. No event has occurred that is continuing which constitutes an Event of Default or Potential Default, except as follows:

8. With respect to all financial statements delivered by or on behalf of the Loan Parties contemporaneously herewith, such statements are true and correct in all material respects.

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IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate this \_\_\_\_\_ day of \_\_\_\_\_, 200 .

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Exhibit A to Exhibit 7.3.3.1

Borrowing Base Compliance Calculations

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Exhibit B to Exhibit 7.3.3.1

Summary Covenant Compliance Calculations

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Exhibit C to Exhibit 7.3.3.1

Detailed Covenant Compliance Calculations

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**EXHIBIT 7.3.3.2**

**FORM OF  
BORROWING BASE CERTIFICATE**

PNC BANK, NATIONAL ASSOCIATION, Agent  
Two Tower Center, 18th Floor  
East Brunswick, New Jersey 08816  
Telecopy (732) 220-3744

Attn.: Douglas G. Paul, Senior Vice President

Ladies/Gentlemen:

I refer to the Fifth Amended and Restated Credit Agreement dated June 14, 2005 (the "Credit Agreement") among K. HOVNIANIAN ENTERPRISES, INC. (the "Borrower"), HOVNIANIAN ENTERPRISES, INC., as a Guarantor, the LENDERS now or hereafter party thereto and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders (the "Agent").

Unless otherwise defined herein, terms defined in the Credit Agreement are used herein with the same meanings. I, \_\_\_\_\_, Chief Executive Officer, President, Treasurer, Chief Financial Officer or principal accounting officer of the Borrower, do hereby certify on behalf of the Borrower as of the end of the month ended \_\_\_\_\_, (the "Report Date"), that the "Borrowing Base" and the components thereof are calculated and set forth on the spreadsheet attached hereto as Exhibit A - "Borrowing Base Compliance Calculations".

The undersigned further certifies as follows:

1. The Loan Parties are in compliance with, and since the most recent prior Report Date have at all times complied with, the provisions of the Credit Agreement.
2. No event has occurred that is continuing which constitutes an Event of Default or Potential Default.



3. With respect to all financial statements delivered by or on behalf of the Loan Parties contemporaneously herewith, such statements are true and correct in all material respects.

**[SIGNATURES APPEAR ON FOLLOWING PAGE]**

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IN WITNESS WHEREOF, the undersigned has executed this Borrowing Base Certificate this      day of      ,      .

K. HOVANIAN ENTERPRISES, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Chief Executive Officer, President,  
Treasurer, Chief Financial Officer or  
principal accounting officer

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Exhibit A to Exhibit 7.3.3.2

Borrowing Base Compliance Calculations

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## Computation of Ratio of Earnings to Fixed Charges

| (Dollars in Thousands)                              | Six Months Ended April 30, 2005 | Six Months Ended April 30, 2004 | Years Ended October 31, |                |                |               |               |
|---|---------------------------------|---------------------------------|-------------------------|----------------|----------------|---------------|---------------|
|   |                                 |                                 | 2003                    | 2002           | 2001           | 2000          | 1999          |
| Net Income (Loss)                                   | 187,618                         | 348,681                         | 257,380                 | 137,696        | 63,686         | 33,163        | 30,075        |
| Add:  |                                 |                                 |                         |                |                |               |               |
| Federal and State Income Taxes                      | 118,815                         | 201,091                         | 154,138                 | 88,034         | 42,668         | 18,655        | 19,206        |
| Interest Expensed Res & Comm                        | 36,925                          | 75,042                          | 63,658                  | 60,371         | 51,446         | 34,956        | 31,570        |
| Interest Expensed Mortgage & Financing Subsidiaries | 2,412                           | 2,765                           | 2,487                   | 2,337          | 3,180          | 2,491         | 3,240         |
| Amortization of Bond Prepaid Expenses               | 709                             | 10,999                          | 2,978                   | 2,119          | 976            | 670           | 1,885         |
| Amortization of Bond Discount                       | 309                             | 571                             | 514                     | 441            | 367            | 30            | —             |
| <b>Total Earnings</b>                               | <b>346,788</b>                  | <b>639,150</b>                  | <b>481,155</b>          | <b>290,998</b> | <b>162,323</b> | <b>89,965</b> | <b>85,976</b> |
| Fixed Charges:                                      |                                 |                                 |                         |                |                |               |               |
| Interest Incurred Res & Comm                        | 43,948                          | 87,674                          | 66,332                  | 57,406         | 47,272         | 38,878        | 24,594        |
| Interest Incurred Mortgage & Financing Subsidiaries | 2,412                           | 2,765                           | 2,487                   | 2,337          | 3,180          | 2,491         | 3,240         |
| Amortization of Bond Prepaid Expenses               | 709                             | 10,999                          | 2,978                   | 2,119          | 976            | 670           | 1,885         |
| Amortization of Bond Discount                       | 309                             | 571                             | 514                     | 441            | 367            | 30            | —             |
| <b>Total Fixed Charges</b>                          | <b>47,378</b>                   | <b>102,010</b>                  | <b>72,311</b>           | <b>62,303</b>  | <b>51,795</b>  | <b>42,069</b> | <b>29,719</b> |
| Ratio   | 7.3                             | 6.3                             | 6.7                     | 4.7            | 3.1            | 2.1           | 2.9           |

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Hovnanian Enterprises, Inc. (the "Company"), K. Hovnanian Enterprises, Inc. and certain subsidiaries of the Company for the registration of \$300,000,000 aggregate principal amount of 6.25% Senior Notes due 2016 and to the incorporation by reference therein of our report dated December 10, 2004, with respect to the consolidated financial statements the Company included in its Annual Report (Form 10-K) for the year ended October 31, 2004, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

New York, New York  
August 22, 2005

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## QuickLinks

[Exhibit 23.2](#)

[Consent of Independent Registered Public Accounting Firm](#)

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

FORM T-1

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS A TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE  
PURSUANT TO SECTION 305(b)(2)

WACHOVIA BANK, NATIONAL ASSOCIATION  
(Name of Trustee)

(Jurisdiction of Incorporation or  
Organization if not a U.S. National Bank)

22-1147033  
(I.R.S. Employer  
Identification No.)

301 South College Street, Charlotte, North Carolina  
(Address of Principal Executive Offices)

28288-0630  
(Zip Code)

K. Hovnanian Enterprises, Inc.  
(Name of Obligor)

California  
(State of Incorporation)

22-2423583  
(I.R.S. Employer  
Identification No.)

10 Highway 35, PO Box 500 Red Bank, NJ  
(Address of Principal Executive Offices)

07701  
(Zip Code)

Debt Securities  
(Title of Indenture Securities)

GENERAL

**Item 1. General information.**

Furnish the following information as to the trustee:

**(a) Name and address of each examining or supervisory authority to which it is subject:**

Comptroller of the Currency, Washington, D.C.  
Board of Governors of the Federal Reserve System, Richmond, VA 23219  
Federal Deposit Insurance Corporation, Washington, D.C.

**(b) Whether it is authorized to exercise corporate trust powers.**

The Trustee is authorized to exercise corporate trust powers.

**Item 2. Affiliations with Obligor.**

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

**Item 3. Voting Securities of the Trustee.**

Furnish the following information as to each class of voting securities of the trustee:

Col. A  
Title of Class

Col. B  
Amount Outstanding

Not Applicable - See answer to Item 13

**Item 4. Trusteeship under Other Indentures:**

If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, furnish the following information:

(a) Title of the securities outstanding under each such other indenture.

Not Applicable - See answer to Item 13

(b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of Section 310(b)(1) of the Act arises as a result of the trusteeship under any such other indenture, including a statement as to how the indenture securities will rank as compared with the securities issued under such other indenture.

Not Applicable - See answer to Item 13.

**Item 5. Interlocking Directorates and Similar Relationships with the Obligor or Underwriters.**

If the trustee or any of the directors or executive officers of the trustee is a director, officer, partner, employee, appointee, or representative of the obligor or of any underwriter for the obligor, identify each such person having any such connection and state the nature of each such connection.

Not Applicable - See answer to Item 13

**Item 6. Voting Securities of the Trustee Owned by the Obligor or its Officials.**

Furnish the following information as to the voting securities of the trustee owned beneficially by the obligor and each director, partner and executive officer of the obligor.

| Col. A<br>Name of Owner                | Col. B<br>Title of Class | Col. C<br>Amount owned<br>Beneficially | Col. D.<br>Percentage of Voting<br>securities represented<br>By amount given in Col. C |
|--|--------------------------|--|--|
| Not Applicable - See answer to Item 13 |                          |  |  |

**Item 7. Voting Securities of the Trustee Owned by Underwriters or their Officials.**

Furnish the following information as to the voting securities of the trustee owned beneficially by each underwriter for the obligor and each director, partner, and executive officer of each such underwriter.

| Col. A<br>Name of Owner                | Col. B<br>Title of Class | Col. C<br>Amount owned<br>Beneficially | Col. D.<br>Percentage of Voting<br>securities represented<br>By amount given in Col. C |
|--|--------------------------|--|--|
| Not Applicable - See answer to Item 13 |                          |  |  |

**Item 8. Securities of the Obligor Owned or Held by the Trustee.**

Furnish the following information as to securities of the obligor owned beneficially or held as collateral security for the obligations in default by the trustee.

| Col. A<br>Name of Owner                | Col. B<br>Whether the<br>Securities are<br>Voting or nonvoting<br>Securities | Col. C<br>Amount owned<br>beneficially<br>or held as collateral<br>security for obligations<br>in default by Trustee | Col. D.<br>Percentage of class<br>represented by<br>amount given in<br>Col. C. |
|--|--|--|--|
| Not Applicable - See answer to Item 13 |  |  |  |

**Item 9. Securities of the Underwriters Owned or Held by the Trustee.**

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of an underwriter for the obligor, furnish the following information as to each class of securities of such underwriter any of which are so owned or held by the trustee.

| Col. A<br>Name of<br>Issuer and<br>Title of class | Col. B<br>Amount outstanding | Col. C<br>Amount owned beneficially<br>or held as collateral security<br>for obligations in default<br>By Trustee | Col. D.<br>Percentage of class<br>represented by amount<br>given in Col. C |
|---|------------------------------|---|--|
| Not Applicable - See answer to Item 13            |                              |   |  |

**Item 10. Ownership or Holdings by the Trustee of Voting Securities of Certain Affiliates or Security Holders of the Obligor.**

If the trustee owns beneficially or holds as collateral security for obligations in default voting securities of a person who, to the knowledge of the trustee (1) owns 10 percent or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor, furnish the following information as to the voting securities of such person.

| Col. A.<br>Name of Issuer<br>And title of class | Col. B.<br>Amount outstanding | Col. C.<br>Amount owned beneficially<br>or held as collateral security<br>For obligations in default<br>By Trustee | Col. D.<br>Percentage of class<br>represented by amount<br>given in Col. C |
|---|-------------------------------|--|--|
| Not Applicable - See answer to Item 13          |                               |  |  |

**Item 11. Ownership or Holdings by the Trustee of any Securities of a Person Owning 50 Percent or More of the Voting Securities of the Obligor.**

If the trustee owns beneficially or holds as collateral security for obligations in default any securities of a person who, to the knowledge of the trustee, owns 50 percent or more of the voting securities of the obligor, furnish the following information as to each class of securities of such person any of which are so owned or held by the Trustee.

| Col. A.<br>Name of Issuer<br>And title of class | Col. B.<br>Amount outstanding | Col. C.<br>Amount owned beneficially<br>or held as collateral security<br>For obligations in default<br>By Trustee | Col. D.<br>Percentage of class<br>represented by amount<br>given in Col. C |
|---|-------------------------------|--|--|
| Not Applicable - See answer to Item 13          |                               |  |  |

**Item 12. Indebtedness of the Obligor to the Trustee.**

Except as noted in the instructions, if the obligor is indebted to the trustee, furnish the following information:

| Col. A.<br>Nature of indebtedness      | Col. B.<br>Amount outstanding | Col. C.<br>Date due |
|--|-------------------------------|---------------------|
| Not Applicable — See answer to Item 13 |                               |                     |

**Item 13. Defaults by the Obligor.**

(a) State whether there is or has been a default with respect to the securities under this indenture. Explain the nature of any such default.

None

(b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

None

**Item 14. Affiliations with the Underwriters.**

If any underwriter is an affiliate of the trustee, describe each such affiliation.

Not Applicable - See answer to Item 13

**Item 15. Foreign Trustee.**

Identify the order or rule pursuant to which the foreign trustee is authorized to act as sole trustee under indentures qualified or to be qualified under the Act.

Not Applicable

**Item 16. Lists of Exhibits.**

- 1\* —Copy of Articles of Association of the Trustee as now in effect.
- 2 —No certificate of authority of the Trustee to commence business is furnished since this authority is contained in the Articles of Association of the Trustee.
- 3\* —Copy of the authorization of the Trustee to exercise corporate trust powers.
- 4\* —Copy of the existing By-Laws of the Trustee, as now in effect.
- 5 —Not applicable.
- 6 —The consent of the Trustee required by Section 321 (b) of the Act.
- 7 —A copy of the latest report of Condition of the Trustee published pursuant to the law or the requirements of its supervising or examining authority.
- 8 —Not Applicable
- 9 —Not Applicable

\*Exhibit thus designated has heretofore been filed with the Securities and Exchange Commission, have not been amended since filing and are incorporated herein by reference (see Exhibit T-1 Registration Number 333-86372).

In answering any item in this statement of eligibility and qualification which relates to matters peculiarly within the knowledge of the obligor or of its directors or officers, or an underwriter for the obligor, the undersigned, Wachovia Bank, National Association, has relied upon information furnished to it by the obligor or such underwriter.

4

#### SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, Wachovia Bank National Association, organized and existing under the laws of the United States, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the Town of Morristown, and State of New Jersey, on the 16th day of August, 2005.

Wachovia Bank, National Association

(Trustee)

(CORPORATE SEAL)

By: /s/Stephanie Roche  
Vice President

5

#### Exhibit T—6

#### CONSENT OF TRUSTEE

Pursuant to the requirements of Section 321 (b) of the Trust Indenture Act of 1939, and in connection with the proposed issue of K. Hovnanian Enterprises, Inc. we hereby consent that reports of examinations by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Stephanie Roche  
Vice President

Morristown, NJ  
August 16, 2005

#### EXHIBIT T-7

#### REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the Wachovia Bank, National Association, at the close of business on June 30, 2005, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 1 Comptroller of the Currency.

#### Statement of Resources and Liabilities

|  | Thousand of Dollars |
|--|---------------------|
| <b>ASSETS</b>  |                     |
| Cash and balance due from depository institutions:                     |                     |
| Noninterest-bearing balances and currency and coin                     | 13,340,000          |
| Interest-bearing balances  | 702,000             |
| Securities   |                     |
| Hold-to-maturity securities  | 0                   |
| Available-for-sale securities  | 114,033,000         |
| Federal funds sold and securities purchased under agreements to resell |                     |
| Federal funds sold in domestic offices                                 | 145,000             |
| Securities purchased under agreements to resell                        | 4,343,000           |



|  |                    |
|--|--------------------|
| Loans and lease financing receivables:                             |                    |
| Loan and leases held for sale                                      | 14,492,000         |
| Loan and leases, net of unearned income                            | 227,612,000        |
| LESS: Allowance for loan and lease losses                          | 2,645,000          |
| Loans and leases, net of unearned income and allowance             | 224,967,000        |
| Trading Assets   | 32,025,000         |
| Premises and fixed assets (including capitalized leases)           | 4,321,000          |
| Other real estate owned  | 136,000            |
| Investment in unconsolidated subsidiaries and associated companies | 1,131,000          |
| Customer's liability to this bank on acceptances outstanding       | 826,000            |
| Intangible assets  |                    |
| Goodwill   | 19,699,000         |
| Other intangible Assets  | 1,996,000          |
| Other assets   | 27,373,000         |
| <b>Total assets</b>  | <b>459,529,000</b> |

#### LIABILITIES

|   |                    |
|---|--------------------|
| Deposits:   |                    |
| In domestic offices   | 284,231,000        |
| Noninterest-bearing   | 64,586,000         |
| Interest-bearing  | 219,645,000        |
| In foreign offices, Edge and Agreement subsidiaries, and IBFs   | 25,202,000         |
| Noninterest-bearing   | 65,000             |
| Interest-bearing  | 25,137,000         |
| Federal funds purchased and securities sold under agreements to repurchase  |                    |
| Federal funds purchased in domestic offices   | 3,546,000          |
| Securities sold under agreements to repurchase  | 28,940,000         |
| Trading liabilities   | 12,730,000         |
| Other borrowed money (includes mortgage indebtedness and Obligations under capitalized leases) (from Schedule RC-M) | 28,775,000         |
| Bank's liability on acceptances executed and outstanding  | 859,000            |
| Subordinated notes and debentures   | 13,323,000         |
| Other liabilities   | 12,305,000         |
| <b>Total liabilities</b>  | <b>409,911,000</b> |
| Minority Interest in consolidated subsidiaries  | 1,732,000          |

#### EQUITY CAPITAL

|   |                    |
|---|--------------------|
| Perpetual preferred stock and related surplus | 0                  |
| Common Stock                                  | 455,000            |
| Surplus                                       | 35,351,000         |
| Retained Earnings                             | 11,494,000         |
| Accumulated other comprehensive income        | 586,000            |
| Other Equity Capital components               | 0                  |
| Total equity capital                          | 47,886,000         |
| Total liabilities and equity capital          | <b>459,529,000</b> |

**LETTER OF TRANSMITTAL  
K. HOVNIAN ENTERPRISES, INC.**

**OFFER TO EXCHANGE  
ALL OUTSTANDING PRIVATELY PLACED  
6.25% SENIOR NOTES DUE 2016 FOR AN EQUAL AMOUNT OF ITS  
6.25% SENIOR NOTES DUE 2016  
WHICH HAVE BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933, AS AMENDED**

**THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,  
NEW YORK CITY TIME, ON \_\_\_\_\_, 2005 UNLESS THE OFFER IS  
EXTENDED (the "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR  
TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.**

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:  
WACHOVIA BANK, NATIONAL ASSOCIATION

**Delivery to: Wachovia Bank, National Association, Exchange Agent**

*By Overnight Mail or Courier Delivery:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

*By Hand:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

*By Mail:*

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

*By Facsimile Transmission:*

(704) 590-7628

*Confirm By Telephone:*

(704) 590-7413

*Information:*

(704) 590-7413

**DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA A FACSIMILE NUMBER OTHER THAN THE ONE SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.**

---

Holders of Outstanding Notes (as defined below) should complete this Letter of Transmittal either if Outstanding Notes are to be forwarded herewith or if tenders of Outstanding Notes are to be made by book-entry transfer to an account maintained by the Exchange Agent at The Depository Trust Company ("DTC") pursuant to the procedures set forth in "The Exchange Offer—Book-Entry Delivery Procedures" and "The Exchange Offer—Tender of Outstanding Notes Held Through The Depository Trust Company" in the Prospectus (as defined below) and an "Agent's Message" (as defined below) is *not* delivered. If tender is being made by book-entry transfer, the Holder must have an Agent's Message delivered in lieu of this Letter of Transmittal.

Holders of Outstanding Notes whose certificates (the "Certificates") for such Outstanding Notes are not immediately available or who cannot deliver their Certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Outstanding Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" in the Prospectus.

As used in this Letter of Transmittal, the term "Holder" with respect to the Exchange Offer (as defined below) means any person in whose name Outstanding Notes are registered on the books of K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer"), or, with respect to interests in the Outstanding Notes held by DTC, any DTC participant listed in an official DTC proxy. The undersigned has completed, signed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Outstanding Notes must complete this Letter of Transmittal in its entirety.

**SEE INSTRUCTION 1. DELIVERY OF DOCUMENTS TO DTC DOES NOT  
CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.**

**BENEFICIAL OWNERS OF OUTSTANDING NOTES SEE INSTRUCTION 10  
(QUESTIONS AND REQUEST FOR ASSISTANCE OR ADDITIONAL COPIES).**

The undersigned hereby acknowledges receipt of the Prospectus dated \_\_\_\_\_, 2005 (as it may be amended or supplemented from time to time, the "Prospectus") of the Issuer, Hovnanian Enterprises, Inc., a Delaware corporation and the parent of the Issuer ("Hovnanian"), and certain subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors," and each, a "Guarantor") and this Letter of Transmittal, which together constitute the offer (the "Exchange Offer") to exchange an aggregate principal amount of up to \$300,000,000 of the Issuer's 6.25% Senior Notes due 2016, guaranteed by the Guarantors, that were originally sold pursuant to a private offering (collectively, the "Outstanding Notes") for an equal principal amount of the Issuer's 6.25% Senior Notes due 2016, guaranteed by the Guarantors, that have been registered under the Securities Act of 1933, as amended (the "Securities Act") (collectively, the "Exchange Notes"). The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in the Exchange Offer in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in the Exchange Offer. Throughout this Letter of Transmittal, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offer" include the Guarantors' offer to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

For each Outstanding Note accepted for exchange, the holder of such Outstanding Note will receive an Exchange Note having a principal amount equal to that of the surrendered Outstanding Note. The Exchange Notes will accrue interest at the rate of 6.25% per annum, commencing on August 8, 2005, payable semi-annually on January 15 and July 15 of each year.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED IN THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT, WHOSE ADDRESS AND TELEPHONE NUMBER APPEAR ON THE FRONT PAGE OF THIS LETTER OF TRANSMITTAL.

**See Instruction 10 below.**

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action that the undersigned desires to take with respect to the Exchange Offer.



"Agent's Message") to the Exchange Agent for its acceptance in which the holder of the Outstanding Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter of Transmittal, and the DTC participant confirms on behalf of itself and the beneficial owners of such Outstanding Notes all provisions of this Letter of Transmittal (including any representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter of Transmittal to the Exchange Agent. Each DTC participant transmitting an acceptance of the Exchange Offer through the ATOP procedures will be deemed to have agreed to be bound by the terms of this Letter of Transmittal. Delivery of an Agent's Message by DTC will satisfy the terms of the Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message. DTC participants may also accept the Exchange Offer by submitting a Notice of Guaranteed Delivery through ATOP.

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**Box 3**  
**Notice of Guaranteed Delivery**  
**(See Instruction 2 below)**

- o CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): \_\_\_\_\_

Window Ticket Number (if any): \_\_\_\_\_

Date of Execution of Notice of Guaranteed Delivery: \_\_\_\_\_

Name of Institution which Guaranteed Delivery: \_\_\_\_\_

IF GUARANTEED DELIVERY IS TO BE MADE BY BOOK-ENTRY TRANSFER:

Name of Tendering Institution: \_\_\_\_\_

DTC Account Number: \_\_\_\_\_

Transaction Code Number: \_\_\_\_\_

---

**Box 4**  
**Return of Non-Exchanged Outstanding Notes**  
**Tendered by Book-Entry Transfer**

- o CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED OUTSTANDING NOTES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT NUMBER SET FORTH ABOVE.
-

**Box 5**  
**Participating Broker-Dealer**

- o CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE OUTSTANDING NOTES FOR YOUR OWN ACCOUNT AS A RESULT OF MARKET-MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE TEN ADDITIONAL COPIES OF THE PROSPECTUS AND OF ANY AMENDMENTS OR SUPPLEMENTS THERETO, AS WELL AS ANY NOTICES FROM THE ISSUER TO SUSPEND AND RESUME USE OF THE PROSPECTUS. PROVIDE THE NAME OF THE INDIVIDUAL WHO SHOULD RECEIVE, ON BEHALF OF THE HOLDER, ADDITIONAL COPIES OF THE PROSPECTUS, AND AMENDMENTS AND SUPPLEMENTS THERETO, AND ANY NOTICES TO SUSPEND AND RESUME USE OF THE PROSPECTUS.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

\_\_\_\_\_

If the undersigned is not a broker-dealer, the undersigned represents that it is acquiring the Exchange Notes in the ordinary course of its business, it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes, it represents that the Outstanding Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale or transfer of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

**PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Issuer the aggregate principal amount of the Outstanding Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Outstanding Notes tendered hereby, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, the Issuer all right, title and interest in and to such Outstanding Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as agent of the Issuer) with respect to the tendered Outstanding Notes, with full power of substitution and resubstitution (such power of attorney being deemed an irrevocable power coupled with an interest) to (1) deliver certificates representing such Outstanding Notes, or transfer ownership of such Outstanding Notes on the account books maintained by DTC, together, in each such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Issuer, (2) present and deliver such Outstanding Notes for transfer on the books of the Issuer and (3) receive all benefits or otherwise exercise all rights and incidents of beneficial ownership of such Outstanding Notes, all in accordance with the terms of the Exchange Offer.

The undersigned hereby represents and warrants that (a) the undersigned has full power and authority to tender, exchange, assign and transfer the Outstanding Notes tendered hereby, (b) when such tendered Outstanding Notes are accepted for exchange, the Issuer will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and (c) the Outstanding Notes tendered for exchange are not subject to any adverse claims or proxies when the same are accepted by the Issuer. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Outstanding Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, that neither the holder of such Outstanding Notes nor any such other person is engaged in, or intends to engage in, a distribution of such Exchange Notes within the meaning of the Securities Act, or has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, and that neither the holder of such Outstanding Notes nor any such other person is an "affiliate", as such term is defined in Rule 405 under the Securities Act, of the Issuer or any Guarantor.

The undersigned also acknowledges that this Exchange Offer is being made based on the Issuer's understanding of an interpretation by the staff of the United States Securities and Exchange Commission (the "SEC") as set forth in no-action letters issued to third parties, including *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters, that the Exchange Notes issued in exchange for the Outstanding Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by each holder thereof (other than a broker-dealer who acquires such Exchange Notes directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Issuer or the Guarantors within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding with any person to participate in the distribution of such Exchange Notes. If a holder of the Outstanding Notes is an affiliate of the Issuer or the Guarantors, is not acquiring the Exchange Notes in the ordinary course of its business, is engaged in, or intends to engage in, a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder (x) may not rely on the applicable interpretations of the



staff of the SEC and (y) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. If the undersigned is a broker-dealer that will receive the Exchange Notes for its own account in exchange for the Outstanding Notes, it represents that the Outstanding Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale or transfer of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, sign and deliver any additional documents deemed by the Issuer or the Exchange Agent to be necessary or desirable to complete the exchange, assignment and transfer of the Outstanding Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Tendered Outstanding Notes may be withdrawn at any time prior to the Expiration Date in accordance with the procedures set forth in the "The Exchange Offer—Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Registration Instructions" below, please deliver the Exchange Notes (and, if applicable, substitute certificates representing the Outstanding Notes for any Outstanding Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of the Outstanding Notes, please credit the account indicated above maintained at DTC. Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions" below, please send the Exchange Notes (and, if applicable, substitute certificates representing the Outstanding Notes for any Outstanding Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Outstanding Notes Tendered".

**THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OUTSTANDING NOTES TENDERED" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OUTSTANDING NOTES AS SET FORTH IN SUCH BOX ABOVE.**

**Box 6**  
**Special Registration Instructions**  
**(See Instructions 1, 5 and 6 below)**

To be completed ONLY if Certificates for the Outstanding Notes not exchanged and/or Certificates for the Exchange Notes are to be issued in the name of someone other than the registered holder(s) of the Outstanding Notes whose name(s) appear(s) above.

Issue the Exchange Notes and/or the Outstanding Notes to:

Name(s)\*

---

(Please Type or Print)

Address:

---

---

---

(Include Zip Code)

---

(Taxpayer Identification or Social Security Number)

---

---

**Box 7**  
**Special Delivery Instructions**  
**(See Instructions 1, 5 and 6 below)**

To be completed ONLY if Certificates for the Outstanding Notes not exchanged and/or Certificates for the Exchange Notes are to be sent to someone other than the registered holder(s) of the Outstanding Notes whose name(s) appear(s) above, or to such registered holder(s) at an address other than that shown above.

Deliver the Exchange Notes and/or the Original Notes to:

Name(s)\*

---

(Please Type or Print)

Address:

---

---

---

(Include Zip Code)

---

(Taxpayer Identification or Social Security Number)

**Box 8**  
**PLEASE SIGN HERE**  
**Tendering Holder Signature**  
**In Addition, Complete Substitute Form W-9—See Box 9**

Signature of registered holder(s) or  
Authorized Signatory(ies):

Date:

Note: The above lines must be signed by the registered holder(s) of the Outstanding Notes as their name(s) appear(s) on the Outstanding Notes or on a security position listing as the owner of the Outstanding Notes or by person(s) authorized to become registered holder(s) by properly completed bond powers or endorsements transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. See Instruction 5.

Name(s):

(Please Type or Print)

Capacity (full title):

Address:

(Including Zip Code)

Area Code and Telephone Number:

Tax Identification or Social Security Number:

**SIGNATURE GUARANTEE**  
**(IF REQUIRED BY INSTRUCTION 5)**

Signature(s) Guaranteed by  
an Eligible Guarantor Institution:

(Authorized Signature)

(Title)

(Name and Firm)

(Address)

Date:

Area Code and Telephone Number:

Tax Identification or Social Security Number:

Box 9

PAYER'S NAME: K. Hovnanian Enterprises, Inc.

SUBSTITUTE FORM W-9

Department of the Treasury Internal Revenue Service

Payer's Request for Taxpayer Identification Number (TIN)

Part 1—PLEASE PROVIDE YOUR NAME AND TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

Name

Part 2

Certification—Under penalty of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and

Social Security Number

OR

(2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service

Employer Identification Number

(the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

Part 3—

o Awaiting TIN

(3) I am a U.S. person (including a U.S. resident alien).

CERTIFICATE INSTRUCTIONS—You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under-reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2).

--> The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

SIGNATURE

Sign Here

DATE

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF UP TO 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU SHOULD COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment 28% of all reportable payments made to me will be withheld.

Signature \_\_\_\_\_ Date \_\_\_\_\_, 20\_\_

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer.—Social security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

| For this type of account:   | Give the social security number of—   | For this type of account:   | Give the employer identification number of— |
|---|---|---|---|
| 1. Individual   | The Individual  | 6. Sole proprietorship  | The owner(3)                                |
| 2. Two or more individuals (joint account)                                    | The actual owner of the account or, if combined funds, the first individual on the account(1) | 7. A valid trust, estate, or pension trust  | The legal entity(4)                         |
| 3. Custodian account of a minor (Uniform Gift to Minors Act)                  | The minor(2)  | 8. Corporate  | The corporation                             |
| 4. a. The usual revocable savings trust account (grantor is also trustee)     | The grantor-trustee(1)  | 9. Association, club, religious, charitable, educational, or other tax-exempt organization  | The organization                            |
| b. So-called trust account that is not a legal or valid trust under state law | The actual owner(1)   |   |   |
| 5. Sole proprietorship  | The owner(3)  | 10. Partnership   | The partnership                             |
|   |   | 11. A broker or registered nominee  | The broker or nominee                       |
|   |   | 12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments | The public entity                           |

- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).
- (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**Note:** *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

# GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

## Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

## Payees Exempt from Backup Withholding

*Payees specifically exempted from withholding include:*

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government and any political subdivision, agency or instrumentality thereof.

*Payees that may be exempt from backup withholding include:*

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

*Payments of dividends and patronage dividends generally exempt from backup withholding include:*

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

*Payments of interest generally exempt from backup withholding include:*

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign organizations.
- Mortgage interest paid to you.

Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

**Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding.** FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

**Privacy Act Notice.**—Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold up to 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

## Penalties

- (1) **Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- (2) **Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.
- (3) **Criminal Penalty for Falsifying Information.**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE**

**INSTRUCTIONS TO LETTER OF TRANSMITTAL FORMING PART OF  
THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER**

**General**

Please do not send Certificates for Outstanding Notes directly to the Issuer. Your Certificates for Outstanding Notes, together with your signed and completed Letter of Transmittal and any required supporting documents, should be mailed or otherwise delivered to the Exchange Agent at the address set forth on the first page hereof. The method of delivery of Certificates, this Letter of Transmittal and all other required documents is at your sole option and risk and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, or overnight or hand delivery service is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

**1. Delivery of this Letter of Transmittal and Certificates.**

This Letter of Transmittal is to be completed by holders of Outstanding Notes (which term, for purposes of the Exchange Offer, includes any participant in DTC whose name appears on a security position listing as the holder of such Outstanding Notes) if either (a) Certificates for such Outstanding Notes are to be forwarded herewith or (b) tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth in "The Exchange Offer—Book-Entry Delivery Procedures" in the Prospectus and an Agent's Message (as defined below) is *not* delivered. The term "Agent's Message" means a message, transmitted by DTC to, and received by, the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by, and makes the representations and warranties contained in, this Letter of Transmittal and that the Issuer may enforce this Letter of Transmittal against such participant. Certificates representing the tendered Outstanding Notes, or timely confirmation of a book-entry transfer of such Outstanding Notes into the Exchange Agent's account at DTC, as well as a properly completed and duly executed copy of this Letter of Transmittal, or a facsimile hereof (or, in the case of a book-entry transfer, an Agent's Message), a substitute Form W-9 and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Outstanding Notes may be tendered in whole or in part in the principal amount of \$1,000 and integral multiples of \$1,000.

**2. Guaranteed Delivery Procedures.**

Holders who wish to tender their Outstanding Notes and (i) whose Outstanding Notes are not immediately available or (ii) who cannot deliver their Outstanding Notes, this Letter of Transmittal and all other required documents to the Exchange Agent on or prior to the Expiration Date or (iii) who cannot complete the procedures for delivery by book-entry transfer on a timely basis, may effect a tender by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer—Guaranteed Delivery Procedures" in the Prospectus and by completing Box 3. Pursuant to these procedures, Holders may tender their Outstanding Notes if: (i) the tender is made by or through an Eligible Guarantor Institution (as defined below); (ii) a properly completed and signed Notice of Guaranteed Delivery in the form provided with this Letter of Transmittal is delivered to the Exchange Agent on or before the Expiration Date (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Outstanding Notes, the registered number(s) of such Outstanding Notes and the amount of Outstanding Notes tendered, stating that the tender is being made thereby; and (iii) the Certificates or a confirmation of book-entry transfer and a properly completed and signed Letter of Transmittal is delivered to the Exchange Agent within three New York Stock Exchange trading days after the

Expiration Date. The Notice of Guaranteed Delivery may be delivered by hand, facsimile or mail to the Exchange Agent, and a guarantee by an Eligible Guarantor Institution must be included in the form described in the notice.

Any Holder who wishes to tender Outstanding Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery relating to such Outstanding Notes prior to the Expiration Date. Failure to complete the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a revocation of any Letter of Transmittal form properly completed and executed by a Holder who attempted to use the guaranteed delivery procedures.

The Issuer will not accept any alternative, conditional or contingent tenders. Each tendering holder of Outstanding Notes, by execution of a Letter of Transmittal (or facsimile thereof), waives any right to receive any notice of the acceptance of such tender.

#### ***Guarantee of Signatures***

No signature guarantee on this Letter of Transmittal is required if:

- (i) this Letter of Transmittal is signed by the registered Holder(s) (which term, for purposes of this document, shall include any participant in DTC whose name appears on a security position listing as the owner of the Outstanding Notes) of Outstanding Notes tendered herewith, unless such Holder(s) has (have) completed either the box entitled "Special Registration Instructions" (Box 6) or "Special Delivery Instructions" (Box 7) above; or
- (ii) such Outstanding Notes are tendered for the account of a firm that is an Eligible Guarantor Institution.

In all other cases, an Eligible Guarantor Institution must guarantee the signature(s) in Box 8 on this Letter of Transmittal. See Instruction 5.

#### ***Inadequate Space***

If the space provided in the box captioned "Description of Outstanding Notes Tendered" (Box 1) is inadequate, the Certificate or registration number(s) and/or the principal amount of Outstanding Notes and any other required information should be listed on a separate, signed schedule and attached to this Letter of Transmittal.

### **3. Beneficial Owner Instructions.**

Only a Holder of Outstanding Notes (i.e., a person in whose name Outstanding Notes are registered on the books of the registrar or, with respect to interests in the Outstanding Notes held by DTC, a DTC participant listed in an official DTC proxy), or the legal representative or attorney-in-fact of a Holder, may execute and deliver this Letter of Transmittal. Any beneficial owner of Outstanding Notes who wishes to accept the Exchange Offer must arrange promptly for the appropriate Holder to execute and deliver this Letter of Transmittal on his or her behalf through the execution and delivery to the appropriate Holder of the "Instructions to Registered Holder and/or DTC Participant from Beneficial Owner of 6.25% Senior Notes due 2016" form accompanying this Letter of Transmittal.

### **4. Partial Tenders; Withdrawals.**

Tenders of Outstanding Notes will be accepted only in the principal amount of \$1,000 and integral multiples of \$1,000. If less than the entire principal amount of Outstanding Notes evidenced by a submitted Certificate is tendered, the tendering Holder(s) should fill in the aggregate principal amount tendered in the column entitled "Aggregate Principal Amount of Outstanding Notes Being Tendered"



in Box 1 above. A newly issued Certificate for the principal amount of Outstanding Notes submitted but not tendered will be sent to such Holder as soon as practicable after the Expiration Date, unless otherwise provided in the appropriate box on this Letter of Transmittal. All Outstanding Notes delivered to the Exchange Agent will be deemed to have been tendered in full unless otherwise indicated.

Outstanding Notes tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date, after which tenders of Outstanding Notes are irrevocable. To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent at the address set forth on the first page hereof. Any such notice of withdrawal must (i) specify the name of the person having deposited the Outstanding Notes to be withdrawn (the "Depositor"), (ii) identify the Outstanding Notes to be withdrawn (including the registration number(s) and principal amount of such Outstanding Notes, or, in the case of Outstanding Notes transferred by book-entry transfer, the name and number of the account at DTC to be credited), (iii) be signed by the Holder in the same manner as the original signature on this Letter of Transmittal (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Outstanding Notes register the transfer of such Outstanding Notes in the name of the person withdrawing the tender, (iv) specify the name in which any such Outstanding Notes are to be registered, if different from that of the Depositor and (v) include a statement that the Depositor is withdrawing its election to have such Outstanding Notes exchanged. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Issuer, whose determination shall be final and binding on all parties. Any Outstanding Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Outstanding Notes so withdrawn are validly re-tendered. Any Outstanding Notes which have been tendered but which are not accepted for exchange for any reason will be returned to the Holder thereof without cost to such Holder (or, in the case of Outstanding Notes tendered by book-entry transfer into the Exchange Agent's account at the book entry transfer facility pursuant to the book-entry transfer procedures described above, such Outstanding Notes will be credited to an account with such book-entry transfer facility specified by the Holder) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Outstanding Notes may be retendered by following one of the procedures described under the caption "The Exchange Offer—Procedures for Tendering" in the Prospectus at any time prior to the Expiration Date.

Neither the Issuer, any affiliates or assigns of the Issuer, the Exchange Agent nor any other person will be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give such notification (even if such notice is given to other persons).

#### **5. Signature on Letter of Transmittal; Written Instruments and Endorsements; Guarantee of Signatures.**

If this Letter of Transmittal is signed by the registered Holder(s) of the Outstanding Notes tendered hereby, the signature must correspond exactly with the name(s) as written on the face of the Certificates without alteration, addition, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the owner of the Outstanding Notes.

If any of the Outstanding Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Outstanding Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal (or facsimiles thereof) as there are different registrations of Outstanding Notes.

If this Letter of Transmittal is signed by the registered Holder(s) of Outstanding Notes (which term, for the purposes described herein, shall include a participant in DTC whose name appears on a security position listing as the owner of the Outstanding Notes) listed and tendered hereby, no endorsements of the tendered Outstanding Notes or separate written instruments of transfer or exchange are required. In any other case, the registered Holder(s) (or acting Holder(s)) must either properly endorse the Outstanding Notes or transmit properly completed bond powers with this Letter of Transmittal (in either case, executed exactly as the name(s) of the registered Holder(s) appear(s) on the Outstanding Notes, and, with respect to a participant in DTC whose name appears on such security position listing), with the signature on the Outstanding Notes or bond power guaranteed by an Eligible Guarantor Institution (except where the Outstanding Notes are tendered for the account of an Eligible Guarantor Institution).

If this Letter of Transmittal, any Certificates, bond powers or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Issuer, must submit proper evidence satisfactory to the Issuer, in its sole discretion, of such persons' authority to so act.

**Endorsements on certificates for the Outstanding Notes or signatures on bond powers required by this Instruction 5 must be guaranteed by a firm that is a member of the Security Transfer Agent Medallion Signature Program or by any other "Eligible Guarantor Institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended.**

**Signatures on this Letter of Transmittal need not be guaranteed by an Eligible Guarantor Institution, provided the Outstanding Notes are tendered: (i) by a registered holder of the Outstanding Notes (which term, for purposes of the Exchange Offer, includes any participant in the DTC system whose name appears on a security position listing as the owner of such Outstanding Notes) tendered who has not completed Box 6 entitled "Special Registration Instructions" or Box 7 entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Guarantor Institution.**

#### **6. Special Registration and Delivery Instructions.**

Tendering Holders should indicate, in the applicable Box 6 or Box 7, the name and address in/to which the Exchange Notes and/or substitute certificates evidencing Outstanding Notes for principal amounts not tendered or not accepted for exchange are to be issued or sent, if different from the name(s) and address(es) of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification number or social security number of the person named must also be indicated and the tendering Holder should complete the applicable box. A holder tendering the Outstanding Notes by book-entry transfer may request that the Outstanding Notes not exchanged be credited to such account maintained at DTC as such Holder may designate hereof (See Box 4).

If no instructions are given, the Exchange Notes (and any Outstanding Notes not tendered or not accepted) will be issued in the name of and sent to the Holder signing this Letter of Transmittal or deposited into such Holder's account at DTC.

#### **7. Transfer Taxes.**

The Issuer will pay all transfer taxes, if any, applicable to the transfer and exchange of Outstanding Notes to it or its order pursuant to the Exchange Offer. If a transfer tax is imposed because Exchange Notes are delivered or issued in the name of a person other than the registered Holder or if a transfer tax is imposed for any other reason other than the transfer and exchange of Outstanding Notes to the Issuer or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether

imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed to the tendering Holder by the Exchange Agent.

**Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Outstanding Notes listed in the Letter of Transmittal.**

**8. Waiver of Conditions.**

The Issuer reserves the right to waive, in whole or in part, any of the conditions to the Exchange Offer set forth in the Prospectus.

**9. Mutilated, Lost, Stolen or Destroyed Outstanding Notes.**

Any Holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should promptly contact the Exchange Agent at the address set forth on the first page hereof for further instructions. The Holder will then be instructed as to the steps that must be taken in order to replace the Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Certificate(s) have been completed.

**10. Questions and Request for Assistance or Additional Copies.**

Questions relating to the procedure for tendering as well as requests for additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at the address and telephone number set forth on the first page hereof.

**11. Validity and Form; No Conditional Tenders; No Notice of Irregularities.**

All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Outstanding Notes and withdrawal of tendered Outstanding Notes will be determined by the Issuer in its sole discretion, which determination will be final and binding. No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Outstanding Notes for exchange. The Issuer also reserves the right, in its reasonable judgment, to waive any defects, irregularities or conditions of tender as to particular Outstanding Notes. The Issuer's interpretation of the terms and conditions of the Exchange Offer (including the instructions in this Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within such time as the Issuer shall determine. Although the Issuer intends to notify Holders of defects or irregularities with respect to tenders of Outstanding Notes, neither the Issuer, the Exchange Agent nor any other person is under any obligation to give such notice nor shall they incur any liability for failure to give such notification. Tenders of Outstanding Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Outstanding Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holder as soon as practicable following the Expiration Date.

## IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a Holder tendering Outstanding Notes whose Outstanding Notes are accepted for exchange may be subject to backup withholding unless the holder provides either (i) such Holder's correct taxpayer identification ("TIN") on the Substitute Form W-9 above, certifying (A) that the TIN provided on Substitute Form W-9 is correct (or that such Holder of Outstanding Notes is awaiting a TIN), (B) that the Holder of Outstanding Notes is not subject to backup withholding because (x) such Holder of Outstanding Notes is exempt from backup withholding, (y) such Holder of Outstanding Notes has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (z) the Internal Revenue Service has notified the Holder of Outstanding Notes that he or she is no longer subject to backup withholding and (C) that the Holder of Outstanding Notes is a U.S. person (including a U.S. resident alien); or (ii) an adequate basis for exemption from backup withholding. If such Holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the Holder may be subject to certain penalties imposed by the Internal Revenue Service and any payments that are made to such Holder may be subject to backup withholding (see below).

Certain Holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. However, exempt Holders of Outstanding Notes should indicate their exempt status on Substitute Form W-9. For example, a corporation should complete the Substitute Form W-9, providing its TIN and indicating that it is exempt from backup withholding. In order for a foreign individual to qualify as an exempt recipient, that Holder must submit a statement, signed under penalty of perjury, attesting to that individual's exempt status (Form W-8BEN). Forms for such statements can be obtained from the Exchange Agent. Holders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

If backup withholding applies, the Exchange Agent is required to withhold 28% of any payments to be made to the Holder or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service provided the required information is furnished. The Exchange Agent cannot refund amounts withheld by reason of backup withholding.

The Holder of Outstanding Notes is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the record owner of the Outstanding Notes. If the Outstanding Notes are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

**IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF (TOGETHER WITH OUTSTANDING NOTES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.**

## QuickLinks

[GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9](#)  
[INSTRUCTIONS TO LETTER OF TRANSMITTAL FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER](#)  
[IMPORTANT TAX INFORMATION](#)

**K. HOVNIANIAN ENTERPRISES, INC.**  
**OFFER TO EXCHANGE**  
**ALL OUTSTANDING PRIVATELY PLACED**  
**6.25% SENIOR NOTES DUE 2016**  
**FOR AN EQUAL AMOUNT OF ITS**  
**6.25% SENIOR NOTES DUE 2016**  
**WHICH HAVE BEEN REGISTERED UNDER**  
**THE SECURITIES ACT OF 1933, AS AMENDED**

, 2005

To Brokers, Dealers, Commercial Banks,  
 Trust Companies and Other Nominees:

As described in the enclosed Prospectus, dated \_\_\_\_\_, 2005 (as the same may be amended from time to time, the "Prospectus"), and Letter of Transmittal (the "Letter of Transmittal"), K. Hovnianian Enterprises, Inc. (the "Issuer"), Hovnianian Enterprises, Inc. ("Hovnianian") and certain subsidiaries of Hovnianian (together with Hovnianian, the "Guarantors") are offering (the "Exchange Offer") to exchange \$1,000 principal amount of the Issuer's 6.25% Senior Notes due 2016 that have been registered under the Securities Act of 1933, as amended, guaranteed by the Guarantors (collectively, the "Exchange Notes"), for each \$1,000 principal amount of outstanding 6.25% Senior Notes due 2016, guaranteed by the Guarantors (collectively, the "Outstanding Notes"), upon the terms and subject to the conditions of the enclosed Prospectus and the enclosed Letter of Transmittal. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Outstanding Notes for which they may be exchanged pursuant to the Exchange Offer, except that the Exchange Notes are freely transferable by holders thereof. The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in the Exchange Offer in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in the Exchange Offer. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offer" include the Guarantors' offer to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. The Issuer will accept for exchange any and all Outstanding Notes properly tendered according to the terms of the Prospectus and the Letter of Transmittal. Consummation of the Exchange Offer is subject to certain conditions described in the Prospectus.

**WE URGE YOU TO PROMPTLY CONTACT YOUR CLIENTS FOR WHOM YOU HOLD OUTSTANDING NOTES REGISTERED IN YOUR NAME OR IN THE NAME OF YOUR NOMINEE OR WHO HOLD OUTSTANDING NOTES REGISTERED IN THEIR OWN NAMES. PLEASE NOTE THAT THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON \_\_\_\_\_, 2005 UNLESS THE ISSUER EXTENDS THE EXCHANGE OFFER (THE "EXPIRATION DATE").**

The Issuer will not pay any fees or commissions to you for soliciting tenders of Outstanding Notes pursuant to the Exchange Offer. You will, however, upon request, be reimbursed by the Issuer for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. The Issuer will pay all transfer taxes, if any, applicable to the tender of Outstanding Notes to it or its order, except as otherwise provided in the Prospectus and the Letter of Transmittal.

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Enclosed are copies of the following documents:

1. A form of letter which you may send, as a cover letter to accompany the Prospectus and related materials, to your clients for whose accounts you hold Outstanding Notes registered in your name or the name of your nominee, with space provided for obtaining the client's instructions regarding the Exchange Offer.
2. The Prospectus.
3. The Letter of Transmittal for your use in connection with the tender of Outstanding Notes and for the information of your clients, including a Substitute Form W-9 and Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (providing information relating to U.S. federal income tax backup withholding).
4. A form of Notice of Guaranteed Delivery.

Your prompt action is requested. Tendered Outstanding Notes may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To participate in the Exchange Offer, certificates for Outstanding Notes, together with a duly executed and properly completed Letter of Transmittal or facsimile thereof, or a timely confirmation of a book-entry transfer of such Outstanding Notes into the account of Wachovia Bank, National Association, the Exchange Agent, at the Depository Trust Company, with any required signature guarantees, and any other required documents, must be received by the Exchange Agent by the Expiration Date as indicated in the Prospectus and the Letter of Transmittal.

If holders of the Outstanding Notes wish to tender, but it is impracticable for them to forward their Outstanding Notes prior to the Expiration Date or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus and in the Letter of Transmittal.

Additional copies of the enclosed material may be obtained from the Exchange Agent at its address or telephone number set forth on the first page of the Letter of Transmittal.

Very truly yours,

K. Hovnanian Enterprises, Inc.

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**NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE ISSUER OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM IN CONNECTION WITH THE EXCHANGE OFFER, OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS EXPRESSLY CONTAINED THEREIN.**





**K. HOVNIANIAN ENTERPRISES, INC.**  
**OFFER TO EXCHANGE**  
**ALL OUTSTANDING PRIVATELY PLACED**  
**6.25% SENIOR NOTES DUE 2016**  
**FOR AN EQUAL AMOUNT OF ITS**  
**6.25% SENIOR NOTES DUE 2016**  
**WHICH HAVE BEEN REGISTERED UNDER**  
**THE SECURITIES ACT OF 1933, AS AMENDED**

, 2005

To Our Clients:

Enclosed for your consideration is a Prospectus, dated \_\_\_\_\_, 2005 (as the same may be amended or supplemented from time to time, the "Prospectus"), and a Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") by K. Hovnianian Enterprises, Inc. (the "Issuer"), Hovnianian Enterprises, Inc. ("Hovnianian") and certain subsidiaries of Hovnianian (together with Hovnianian, the "Guarantors") to exchange \$1,000 principal amount of the Issuer's 6.25% Senior Notes due 2016, guaranteed by the Guarantors (collectively, the "Exchange Notes") that have been registered under the Securities Act of 1933, as amended, for each \$1,000 principal amount of the Issuer's outstanding 6.25% Senior Notes due 2016, guaranteed by the Guarantors (collectively, the "Outstanding Notes"), upon the terms and subject to the conditions of the enclosed Prospectus and the enclosed Letter of Transmittal. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Outstanding Notes for which they may be exchanged pursuant to the Exchange Offer, except that the Exchange Notes are freely transferable by holders thereof. The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in the Exchange Offer in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in the Exchange Offer. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offer" include the Guarantors' offer to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. The Issuer will accept for exchange any and all Outstanding Notes properly tendered according to the terms of the Prospectus and the Letter of Transmittal. Consummation of the Exchange Offer is subject to certain conditions described in the Prospectus.

This material is being forwarded to you as the beneficial owner of Outstanding Notes held by us for your account but not registered in your name. A tender of such Outstanding Notes may only be made by us as the registered holder and pursuant to your instructions. Therefore, the Issuer urges beneficial owners of Outstanding Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee to contact such registered holder promptly if such beneficial owners wish to tender Outstanding Notes in the Exchange Offer.

Accordingly, we request instructions as to whether you wish to tender any or all such Outstanding Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal. If you wish to have us do so, please so instruct us by completing, signing and returning to us the instruction form that appears below. We urge you to read the Prospectus and the Letter of Transmittal carefully before instructing us as to whether or not to tender your Outstanding Notes.

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Your instructions to us should be forwarded as promptly as possible in order to permit us to tender Outstanding Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City Time, on \_\_\_\_\_, 2005, unless the Exchange Offer is extended by the Issuer. The time the Exchange Offer expires is referred to as the "Expiration Date." Tenders of Outstanding Notes may be withdrawn at any time prior to the Expiration Date.

**IF YOU WISH TO HAVE US TENDER ANY OR ALL OF YOUR OUTSTANDING NOTES, PLEASE SO INSTRUCT US BY COMPLETING, SIGNING AND RETURNING TO US THE INSTRUCTION FORM BELOW.**

The accompanying Letter of Transmittal is furnished to you for your information only and may not be used by you to tender Outstanding Notes held by us and registered in our name for your account or benefit.

If we do not receive written instructions in accordance with the below and the procedures presented in the Prospectus and the Letter of Transmittal, we will not tender any of the Outstanding Notes on your account.

Please carefully review the enclosed material as you consider the Exchange Offer.



intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such Holder may not rely on the applicable interpretations of the staff of the Securities and Exchange Commission relating to exemptions from the registration and prospectus delivery requirements of the Securities Act and must comply with such requirements in connection with any secondary resale transaction.

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**SIGN HERE**

Dated:

\_\_\_\_\_  
, 2005

Signature(s): \_\_\_\_\_

Print Name(s): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
*(Please include Zip Code)*

Telephone Number: \_\_\_\_\_

*(Please include Area Code)*

Tax Identification Number or Social Security Number: \_\_\_\_\_

My Account Number With You: \_\_\_\_\_

\_\_\_\_\_



**NOTICE OF GUARANTEED DELIVERY  
K. HOVNANIAN ENTERPRISES, INC.**

**OFFER TO EXCHANGE  
ALL OUTSTANDING PRIVATELY PLACED  
6.25% SENIOR NOTES DUE 2016  
FOR AN EQUAL AMOUNT OF ITS  
6.25% SENIOR NOTES DUE 2016  
WHICH HAVE BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933, AS AMENDED**

This form, or one substantially equivalent hereto, must be used to accept the Exchange Offer made by K. Hovnanian Enterprises, Inc. (the "Issuer") and the Guarantors, pursuant to the Prospectus, dated \_\_\_\_\_, 2005 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if the certificates for the Outstanding Notes are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to Wachovia Bank, National Association (the "Exchange Agent") as set forth below. Capitalized terms not defined herein have the meanings ascribed to them in the Letter of Transmittal.

**Delivery to: Wachovia Bank, National Association, Exchange Agent**

**By Overnight Mail or Courier Delivery:**

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

**By Hand:**

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

**By Mail:**

Wachovia Bank, N.A.  
Attn: Marsha Rice NC 1153  
Corporate Trust Operations Reorg.  
1525 West W.T. Harris Blvd.-3C3  
Charlotte, NC 28262-8522

**By Facsimile Transmission:**

(704) 590-7628

**Confirm By Telephone:**

(704) 590-7413

**Information:**

(704) 590-7413

**DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.**

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Please read the accompanying instructions carefully.

Ladies and Gentlemen:

Upon the terms and subject to the conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Issuer the principal amount of the Outstanding Notes set forth below, pursuant to the guaranteed delivery procedures described in "The Exchange Offer—Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of the Outstanding Notes Tendered: \_\_\_\_\_

Certificate Nos. (If Available): \_\_\_\_\_

\_\_\_\_\_  
(Signature(s) of Record Holder(s))

\_\_\_\_\_  
(Please Type or Print Name(s) of Record Holder(s))

Dated: \_\_\_\_\_, 2005

Address: \_\_\_\_\_

\_\_\_\_\_  
(Zip Code)

\_\_\_\_\_  
(Daytime Area Code and Telephone No.)

Check this Box if the Outstanding Notes will be delivered by book-entry transfer to The Depository Trust Company.

Account Number: \_\_\_\_\_

**THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.**

**GUARANTEE OF DELIVERY  
(NOT TO BE USED FOR SIGNATURE GUARANTEE)**

The undersigned, a participant in the Security Transfer Agents Medallion Program or an "Eligible Guarantor Institution", as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), hereby guarantees to deliver to the Exchange Agent, at its address set forth in the Notice of Guaranteed Delivery, the certificates representing all tendered Outstanding Notes, in proper form for transfer, or a book-entry confirmation (a confirmation of a book-entry transfer of the Outstanding Notes into the Exchange Agent's account at The Depository Trust Company), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three (3) New York Stock Exchange trading days after the Expiration Date.

Name of Firm: \_\_\_\_\_

\_\_\_\_\_  
(Authorized Signature)

Address: \_\_\_\_\_

\_\_\_\_\_  
(Zip Code)

Area Code and Tel. No.: \_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_  
(Please Type or Print)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

, 2005

**NOTE: DO NOT SEND CERTIFICATES FOR OUTSTANDING NOTES WITH THIS NOTICE OF GUARANTEED DELIVERY. ACTUAL SURRENDER OF CERTIFICATES FOR OUTSTANDING NOTES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.**



## INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. **Delivery of this Notice of Guaranteed Delivery.** A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth on the cover page hereof prior to the Expiration Date of the Exchange Offer. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and risk of Holders and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that Holders use an overnight or hand delivery service. In all cases sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedure, see Instruction 2 of the Letter of Transmittal. No Notice of Guaranteed Delivery should be sent to the Issuer.

2. **Signatures on this Notice of Guaranteed Delivery.** If this Notice of Guaranteed Delivery is signed by the registered Holder(s) of the Outstanding Notes referred to herein, the signatures must correspond with the name(s) written on the face of the Outstanding Notes without alteration, addition, enlargement, or any change whatsoever.

If this Notice of Guaranteed Delivery is signed by a person other than the registered Holder(s) of any Outstanding Notes listed, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered Holder(s) appear(s) on the Outstanding Notes without alteration, addition, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and, unless waived by the Issuer, evidence satisfactory to the Issuer of their authority so to act must be submitted with this Notice of Guaranteed Delivery.

3. **Questions and Requests for Assistance or Additional Copies.** Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address set forth on the cover hereof. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offer.

## QuickLinks

[Delivery to: Wachovia Bank, National Association, Exchange Agent](#)  
[INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY](#)