

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

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

Hovnanian Enterprises, Inc.  
 (Exact name of Registrant as  
 specified in its charter)  
 Delaware  
 (State or other jurisdiction of incorporation)  
 22-1851059  
 (I.R.S. Employer Identification No.)  
 10 Highway 35  
 P.O. Box 500  
 Red Bank, New Jersey 07701  
 (732) 747-7800

K. Hovnanian Enterprises, Inc  
 (Exact name of Registrant as  
 specified in its charter)  
 New Jersey  
 (State or other jurisdiction of incorporation)  
 22-2423583  
 (I.R.S. Employer Identification No.)  
 10 Highway 35  
 P.O. Box 500  
 Red Bank, New Jersey 07701  
 (732) 747-7800

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

(Address, including Zip Code, and Telephone Number, including Area Code, of  
 Registrant's principal executive offices)

SEE TABLE OF ADDITIONAL REGISTRANTS

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

(Name, Address, including Zip Code, and Telephone Number, including Area Code,  
 of Agent for Service)

Copies to:

Peter S. Reinhart, Esq.  
 Hovnanian Enterprises, Inc.  
 10 Highway 35  
 P.O. Box 500  
 Red Bank, New Jersey  
 (732) 747-7800

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

Approximate date of commencement of proposed sale of the securities 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 Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
10 1/2 % Senior Notes due 2007.....	\$150,000,000	100%	\$150,000,000	\$ 37,500
Guarantees of 10 1/2 % Senior Notes due 2007..	(3)	(3)	(3)	None
Total.....	\$150,000,000	100%	\$150,000,000	\$ 37,500

- (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.
- (3) No consideration will be received for the guarantees.

The Registrant hereby amends this Registration Statement on such date or

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

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TABLE OF ADDITIONAL REGISTRANTS

Exact Name Of Registrant As Specified In Its Charter	State Or Other Jurisdiction Of Incorporation Or Organization	I.R.S. Employer Identification Number	Address Including Zip Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
K. Hovnanian at Hopewell Ill, Inc.	New Jersey	22-1732674	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Recreational Development Corp., Inc.	New Jersey	22-1757811	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Pine Brook Company, Inc.	New Jersey	22-1762833	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bedminster, Inc.	New Jersey	22-1945452	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at The Bluff, Inc.	New Jersey	22-1841019	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Atlantic City, Inc.	New Jersey	22-1945458	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian Properties of Atlantic County, Inc.	New Jersey	22-1945461	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Montego Bay I Acquisition Corp., Inc.	Florida	22-1945488	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Pike Utilities, Inc.	Florida	59-1321247	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Arrow Properties, Inc.	New Jersey	22-1945442	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Real Estate Investment, Inc.	New Jersey	22-1945444	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian Texas, Inc.	Texas	22-1945449	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Landarama, Inc.	New Jersey	22-1978612	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Tropical Service Builders, Inc.	Florida	59-1426699	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian Pennsylvania, Inc.	Pennsylvania	22-1097670	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of North Brunswick V, Inc.	New Jersey	22-2057909	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Mahwah VIII, Inc.	New Jersey	22-2246316	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wall Township IV, Inc.	New Jersey	22-2262938	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Montville, Inc.	New Jersey	22-2343552	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian of Palm Beach, Inc.	Florida	59-1973196	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Florida, Inc.	Florida	22-2349530	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Freehold Township, Inc.	New Jersey	22-2348977	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian Properties of Lake Worth, Inc.	Florida	22-2360970	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Pennsylvania, Inc.	Pennsylvania	22-2390174	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Hamilton, Inc.	New Jersey	22-2380821	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Scotch Plains, Inc.	New Jersey	22-2380821	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne IV, Inc.	New Jersey	22-2406468	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian Developments of Florida, Inc.	Florida	22-24166224	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Montego Bay II Acquisition Corp., Inc.	Florida	22-2416620	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian of Palm Beach VII, Inc.	Florida	22-2525727	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wall Township II, Inc.	New Jersey	22-2422378	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian of Palm Beach IX, Inc.	Florida	22-2428059	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian at Tarpon Lakes I, Inc.	Florida	22-2436504	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian Companies Northeast, Inc.	New Jersey	22-2445216	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Kings Grant Evesham Corp.	New Jersey	22-2445215	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Manalapan, Inc.	New Jersey	22-2442998	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wall Township, Inc.	New Jersey	22-2442914	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Brunswick VII, Inc.	New Jersey	22-2459186	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Central Jersey, Inc.	New Jersey	22-2459186	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Hovnanian of Palm Beach XI, Inc.	Florida	22-2457945	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Brunswick II, Inc.	New Jersey	22-2458485	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lawrence Square, Inc.	New Jersey	22-2571403	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Tarpon Lakes III, Inc.	Florida	22-2510592	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Horizon Heights, Inc.	New Jersey	22-2500651	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Reservoir Ridge, Inc.	New Jersey	22-2510587	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jersey City I, Inc.	New Jersey	22-2562961	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Investment Properties of New Jersey, Inc.	New Jersey	22-2541361	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ft. Myers I, Inc.	Florida	22-2652958	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Howell Township II, Inc.	New Jersey	22-2562956	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Klockner Farms, Inc.	New Jersey	22-2572443	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Jensen Beach, Inc.	Florida	22-2572443	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Molly Pitcher Construction Co., Inc.	New Jersey	22-2577062	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah VII, Inc.	New Jersey	22-2592139	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne III, Inc.	New Jersey	22-2607669	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of East Brunswick II, Inc.	New Jersey	22-2577062	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Kings Grant I, Inc.	New Jersey	22-2601064	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
The New Fortis Corporation	North Carolina	56-1458833	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Clarkstown, Inc.	New York	22-2618176	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of New York, Inc.	New York	22-2618171	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of New York, Inc.	New York	22-2626492	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Dryer Associates, Inc.	New Jersey	22-2626494	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Pasco I, Inc.	Florida	22-2636392	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lakewood, Inc.	New Jersey	22-2618178	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Martin Downs II, Inc.	Florida	22-2593811	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Aviation, Inc.	Delaware	22-2627859	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Investment Properties, Inc.	New Jersey	22-2627866	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ft. Myers II, Inc.	Florida	22-2636393	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Bernards II, Inc.	New Jersey	22-2643596	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Brunswick III, Inc.	New Jersey	22-2652530	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Minerva Group, Inc.	New Jersey	22-2652839	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of New Jersey, Inc.	New Jersey	22-2664563	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bridgewater V, Inc.	New Jersey	22-2713924	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Brunswick II, Inc.	New Jersey	22-2788417	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Washingtonville, Inc.	New York	22-2717887	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Peekskill, Inc.	New York	22-2718071	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Newark I, Inc.	New Jersey	22-2722766	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Carmel, Inc.	New York	22-2749185	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Windsor I, Inc.	New Jersey	22-2741139	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Parthenon Group, Inc.	New Jersey	22-2748658	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Marlboro Township II, Inc.	New Jersey	22-2748659	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Somerset III, Inc.	New Jersey	22-2748659	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
R.C.K. Community Management Co., Inc.	New York	22-2758195	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Montclair, NJ, Inc.	New Jersey	22-2759221	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at East Brunswick VI, Inc.	New Jersey	22-2809056	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hackettstown, Inc.	New Jersey	22-2765936	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of North Carolina, Inc.	North Carolina	22-2765939	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Montville II, Inc.	New Jersey	22-2765937	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wall Township VII, Inc.	New Jersey	22-3434644	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bridgewater II, Inc.	New Jersey	22-2765938	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Merrimack, Inc.	New Hampshire	22-2821914	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bernards III, Inc.	New Jersey	22-2774853	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Eastern National Title Insurance Agency, Inc.	Florida	22-2774781	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne V, Inc.	New Jersey	22-2790299	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Pasco II, Inc.	Florida	22-2790300	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Delray Beach II, Inc.	Florida	22-2837106	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Branchburg I, Inc.	New Jersey	22-2790298	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Plainsboro II, Inc.	New Jersey	22-2790297	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Northern Westchester, Inc.	New York	22-2814372	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Marlboro Township, Inc.	New Jersey	22-2847875	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at West Orange, Inc.	New Jersey	22-2820279	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800



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Eastern Title Agency, Inc.	New Jersey	22-2822803	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Franklin, Inc.	New Jersey	22-2869319	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah II, Inc.	New Jersey	22-2859315	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
New England Community Management Company, Inc.	New Hampshire	22-2870386	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Howell Township, Inc.	New Jersey	22-2859308	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Brunswick IV, Inc.	New Jersey	22-2859309	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wall Township VI, Inc.	New Jersey	22-2859303	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Piscataway, Inc.	New Jersey	22-2859305	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah V, Inc.	New Jersey	22-28068663	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Merrimack II, Inc.	New Hampshire	22-3003600	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Newark Urban Renewal Corporation I	New Jersey	22-2885748	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lawrence Grove, Inc.	Florida	22-2870382	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Cedar Grove I, Inc.	New Jersey	22-2892342	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Cedar Grove II, Inc.	New Jersey	22-2892341	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Brunswick III, Inc.	New Jersey	22-2892493	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jersey City II, Inc.	New Jersey	22-2935352	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Burlington, Inc.	New Jersey	22-2949611	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at South Brunswick V., Inc.	New Jersey	22-2937570	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Half Moon Bay, Inc.	Florida	22-2915380	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jacksonville II, Inc.	Florida	22-2914590	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Branchburg II, Inc.	New Jersey	22-2926245	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Embassy Lakes, Inc.	Florida	22-2920201	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at The Reserve at Medford, Inc.	New Jersey	22-2934223	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Branchburg III, Inc.	New Jersey	22-2961099	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lower Saucon, Inc.	Pennsylvania	22-2961090	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Jersey City Danforth CSO, Inc.	New Jersey	22-2976939	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Windsor II, Inc.	New Jersey	22-2974415	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Marlboro Township III, Inc.	New Jersey	22-3027961	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Newark Urban Renewal Corp. III, Inc.	New Jersey	22-3027956	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Somerset VIII, Inc.	New Jersey	22-2998840	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Readington, Inc.	New Jersey	22-3002434	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hopewell I, Inc.	New Jersey	22-3027962	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Newark Urban Renewal Corp. IV, Inc.	New Jersey	22-3027957	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Newark Urban Renewal Corp. V, Inc.	New Jersey	22-3027960	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Plainsboro III, Inc.	New Jersey	22-3027955	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah IV, Inc.	New Jersey	22-3015286	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Pompano Beach, Inc.	Florida	22-3011835	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jersey City III, Inc.	New Jersey	22-3016528	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.	New Jersey	22-3017267	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Brunswick IV, Inc.	New Jersey	22-3036037	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bridgewater IV, Inc.	New Jersey	22-4049666	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Brunswick, Inc.	New Jersey	22-3039668	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Perkiomen I, Inc.	Pennsylvania	22-3094743	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Valleybrook, Inc.	New Jersey	22-3057022	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ocean Township, Inc.	New Jersey	22-3094742	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Plainsboro I, Inc.	New Jersey	22-30645323	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Real Estate of Florida, Inc.	Florida	65-0215569	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Western Financial Services, Inc.	Florida	65-0224445	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne, Inc.	New Jersey	22-3085521	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Red Bank, Inc.	New Jersey	22-3092532	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hanover, Inc.	New Jersey	22-3133218	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Lake Charleston, Inc.	Florida	22-3133152	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
New K. Hovnanian Developments of Florida, Inc.	Florida	58-2003324	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Metro Washington, Inc.	Virginia	22-3169584	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Montgomery I, Inc.	Pennsylvania	22-3165601	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
EXC, Inc.	Delaware	22-3178077	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of Metro Washington, Inc.	Virginia	22-3188615	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ashburn Village, Inc.	Virginia	22-3178078	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Woodmont, Inc.	Virginia	52-1785667	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Fairway Views, Inc.	Florida	22-3188598	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Carolina Country Club I, Inc.	Florida	22-3188607	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Chapel Trail, Inc.	Florida	22-3188602	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Treasure Coast, Inc.	Florida	22-3188616	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Upper Merion, Inc.	Pennsylvania	22-3188608	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah VI, Inc.	New Jersey	22-3188612	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Medford I, Inc.	New Jersey	22-3188613	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hov International, Inc.	New Jersey	22-3188610	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Montclair, Inc.	Virginia	22-3188614	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Bull Run, Inc.	Virginia	22-3192910	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Sully Station, Inc.	Virginia	22-3188746	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Spring Ridge, Inc.	New Jersey	22-3192909	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Marine, Inc.	New Jersey	22-3196910	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at River Oaks, Inc.	Virginia	22-3199603	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Holly Crest, Inc.	Virginia	22-3214275	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of Route 35, Inc.	New Jersey	22-3219172	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Stonebrook Homes, Inc.	California	33-0553884	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Winston Trails, Inc.	Florida	22-3219184	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lakes of Boca Raton, Inc.	Florida	22-3230729	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lake Charleston II, Inc.	Florida	22-3240225	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lake Charleston III, Inc.	Florida	22-3240226	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bridgewater VI, Inc.	New Jersey	22-3243298	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
KHIPE, Inc.	New Jersey	22-3244134	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Fair Lakes, Inc.	Virginia	22-3249049	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Carolina Country Club II, Inc.	Florida	22-3247085	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Valleybrook II, Inc.	New Jersey	22-3252533	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Park Ridge, Inc.	Virginia	22-3253530	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Belmont, Inc.	Virginia	22-3253529	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Winston Trails II, Inc.	Florida	22-3263586	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Fair Lakes Glen, Inc.	Virginia	22-3261224	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Pembroke Shores, Inc.	Florida	22-3273708	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Carolina Country Club III, Inc.	Florida	22-3273706	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Governor's Abstract Co., Inc.	Pennsylvania	22-3278556	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Coconut Creek, Inc.	Florida	22-3275859	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Polo Trace, Inc.	Florida	22-3284165	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Founders Title Agency, Inc.	Virginia	22-3293533	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bernards IV, Inc.	New Jersey	22-3292171	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Perkiomen II, Inc.	Pennsylvania	22-3301197	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne II, Inc.	New Jersey	22-3301196	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Upper Makefield I, Inc.	Pennsylvania	22-3302321	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of California, Inc.	California	22-3301757	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Terraza, Inc.	California	22-3303807	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of California, Inc.	California	22-3303806	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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KHC Acquisition, Inc.	California	22-3303802	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Stuart Road, Inc.	Virginia	22-3312918	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Highland Vineyards, Inc.	California	22-3309241	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ballantrae, Inc.	Florida	22-3309139	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Ballantrae Home Sales, Inc.	Florida	22-3312524	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies at Wildrose, Inc.	California	22-3312525	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Greenbrook, Inc.	New Jersey	22-3415873	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hunter Estates, Inc.	Virginia	22-3321100	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Carmel Del mar, Inc.	California	22-3320550	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Vail Ranch, Inc.	California	22-3320537	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Princeton, Inc.	New Jersey	22-3322125	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Raritan I, Inc.	New Jersey	22-3326386	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Calabria, Inc.	California	22-3324654	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Seneca Crossing, Inc.	Maryland	22-3331047	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Maryland, Inc.	Maryland	22-3331050	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of Maryland, Inc.	Maryland	22-3331045	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Exeter Hills, Inc.	Virginia	22-3331043	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian Florida Region, Inc.	Florida	22-3331674	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Southeast Florida, Inc.	Florida	22-3331675	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Berlin, Inc.	New Jersey	22-3330582	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Brunswick VI, Inc.	New Jersey	22-3330584	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bedminster II, Inc.	New Hampshire	22-3331038	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Inverrary I, Inc.	Florida	22-3332195	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mahwah IX, Inc.	New Jersey	22-3337896	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Northlake, Inc.	California	22-3336696	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hopewell IV, Inc.	New Jersey	22-3345622	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Locust Grove I, Inc.	New Jersey	22-3359254	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Castile, Inc.	California	22-3356308	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Tierrasanta, Inc.	California	22-3351875	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Preston, Inc.	Maryland	22-3367625	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bernards III, Inc.	New Jersey	22-3356307	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne VI, Inc.	New Jersey	22-3367624	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of North Center Drive, Inc.	New Jersey	22-3360859	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Ballantrae Development Corp.	Florida	22-3366681	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800



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K. Hovnanian at La Trovata, Inc.	California	22-3369099	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Rancho Cristianitos, Inc.	California	22-3369102	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Tannery Hill, Inc.	New Jersey	22-3396608	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Properties of N.B. Theatre, Inc.	New Jersey	22-3406661	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Crystal Springs, Inc.	New Jersey	22-3406656	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at The Cedars, Inc.	New Jersey	22-3406664	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Construction Management, Inc.	New Jersey	22-3406668	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Acquisitions, Inc.	New Jersey	22-3406671	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Burlington II, Inc.	New Jersey	22-3407458	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Burlington III, Inc.	New Jersey	22-3412130	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ballantrae Estates, Inc.	Florida	22-309425	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Smithville, Inc.	New Jersey	22-3418731	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jefferson, Inc.	New Jersey	22-3427233	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Upper Freehold Township I, Inc.	New Jersey	22-3421542	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hershey's Mill, Inc.	Pennsylvania	22-3445102	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Dominion Ridge, Inc.	Virginia	22-3433318	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Port Imperial North, Inc.	New Jersey	22-3450185	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Union Township I, Inc.	New Jersey	22-3464497	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Brunswick VIII, Inc.	New Jersey	22-2776654	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Manalapan II, Inc.	New Jersey	22-2765935	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hopewell V, Inc.	New Jersey	22-3464499	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hopewell VI, Inc.	New Jersey	22-3465709	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Cameron Chase, Inc.	Virginia	22-3459993	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Thornbury, Inc.	Pennsylvania	22-3462983	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne VII, Inc.	New Jersey	22-3464498	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Scotch Plains II, Inc.	New Jersey	22-3464496	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Marlboro Township IV, Inc.	New Jersey	22-3467252	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Port Imperial Urban Renewal, Inc.	New Jersey	22-3471929	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at East Whiteland I, Inc.	Pennsylvania	22-3483220	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Stonegate, Inc.	Virginia	22-3481223	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Crestline, Inc.	California	22-3493450	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at San Sevaine, Inc.	California	22-3493454	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Sycamore, Inc.	California	22-3493456	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Companies of Southern California, Inc.	California	22-3493449	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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K. Hovnanian at Smithville II, Inc.	New Jersey	22-2776387	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Stony Point, Inc.	New York	22-2758195	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Stone Canyon, Inc.	California	22-3512641	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Tuxedo, Inc.	New York	22-3516266	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bridgeport, Inc.	California	22-3547807	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Saratoga, Inc.	California	22-3657806	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Chaparral, Inc.	California	22-3565730	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ocean Walk, Inc.	California	22-3565732	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lower Saugon II, Inc.	Pennsylvania	22-3602924	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Stonegate, Inc.	California	22-3582033	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Barrington, Inc.	Virginia	22-3583846	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Hampton Oaks, Inc.	Virginia	22-3583845	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at P.C. Homes, Inc.	Virginia	22-3583847	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at P.C. Properties, Inc.	Virginia	22-3583840	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Summerwood, Inc.	Virginia	22-3583842	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at The Glen	Virginia	22-3618411	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian's Four Seasons of the Palm Beaches, Inc.	Florida	22-3618584	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

Exact Name Of Registrant As Specified In Its Charter	State Or Other Jurisdiction Of Incorporation Or Organization	I.R.S Employer Identification Number	Address Including Zip Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
K. Hovnanian at Wall Township VIII, Inc.	New Jersey	22-3434643	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Jersey Acquisition, L.L.C.	New Jersey	22-3556344	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Central Acquisition, L.L.C	New Jersey	22-3556343	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Shore Acquisition, L.L.C	New Jersey	22-3556342	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian South Jersey Acquisition, L.L.C.	New Jersey	22-3556341	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mansfield I, L.L.C	New Jersey	22-3556345	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mansfield II, L.L.C	New Jersey	22-3556346	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian North Central Acquisition, L.L.C.	New Jersey	22-3554986	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wayne VIII, L.L.C	New Jersey	22-3618348	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Bernards V, L.L.C	New Jersey	22-3618587	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Wanaque, L.L.C	New Jersey	22-3626037	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Chester I, L.L.C	New Jersey	22-3618347	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Winchester, L.L.C	California	52-2147836	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Middletown, L.L.C	New Jersey	22-3630452	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian's Four Seasons, L.L.C	California	52-2147837	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Menifee, L.L.C	California	52-2147832	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Brunswick VI, L.L.C	Delaware	22-3627814	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

Exact Name Of Registrant As Specified In Its Charter	State Or Other Jurisdiction Of Incorporation Or Organization	I.R.S Employer Identification Number	Address Including Zip Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
K. Hovnanian at Carmel Village, L.L.C	California	52-2147831	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lawrence, L.L.C	New Jersey	22-3638073	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Blue Heron Pines, L.L.C	New Jersey	22-3630449	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jackson, L.L.C	New Jersey	22-3630450	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Roland Heights, L.L.C	California	22-2147833	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Berkeley, L.L.C	New Jersey	22-3644632	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at King Farm, L.L.C	Virginia	22-3647924	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Bank, L.L.C	Virginia	22-3655682	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Prince William, L.L.C	Virginia	22-3647925	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lake Terrapin, L.L.C	Virginia	22-3647920	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Clifton, L.L.C.	New Jersey	22-3655976	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Upper Freehold Township II, L.L.C.	New Jersey	22-3655975	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Jersey City IV, L.L.C.	New Jersey	22-3655974	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Rancho Santa Margarita, L.L.C.	California	33-0890775	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Lafayette Estates, L.L.C.	New Jersey	22-3658926	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Arbor Heights, L.L.C.	California	33-0890769	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at South Amboy, L.L.C.	New Jersey	22-3663105	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

Exact Name Of Registrant As Specified In Its Charter	State Or Other Jurisdiction Of Incorporation Or Organization	I.R.S Employer Identification Number	Address Including Zip Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
K. Hovnanian at the Gables, L.L.C.	California	33-0890769	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Linwood, L.L.C.	New Jersey	22-3663731	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Riverbend, L.L.C.	California	33-0890777	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Kincaid, L.L.C.	Maryland	22-3664456	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Upper Freehold Township III, L.L.C.	New Jersey	22-3666680	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Northfield, L.L.C.	New Jersey	22-3665826	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Kent Island, L.L.C.	Maryland	22-3668315	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
The Matzel & Mumford Organization, Inc.	New Jersey	22-3670677	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
M & M Investments, LP	New Jersey	22-3685183	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Ashburn Village, L.L.C.	Maryland	22-3681031	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Co. Metro DC North, L.L.C.	Maryland	22-3683159	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Mansfield Ill., L.L.C.	New Jersey	22-3683839	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
Goodman Family of Builders, LP	Texas	75-2653675	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Developments of Texas, Inc.	Texas	22-3685786	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Brenbrooke, L.L.C.	Virginia	22-3683842	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Spring Hill Road, L.L.C.	Maryland	22-3688868	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at St. Margarets, L.L.C.	Maryland	22-3688864	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800

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Matzel & Mumford of Delaware, Inc.	Delaware	22-3686728	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Paramus, L.L.C.	New Jersey	22-3687884	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Blooms Crossing, L.L.C.	Maryland	22-3688865	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Encinitas Ranch, L.L.C.	California	33-0890770	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Pacific Bluffs, L.L.C.	California	33-0890774	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian Sunsets, L.L.C.	California	33-0890768	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Willow Brook, L.L.C.	Maryland	22-3709105	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Park Lane, L.L.C.	California	33-0896285	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian West Milford, L.L.C.	New Jersey	22-3740951	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Washington, L.L.C.	New Jersey	22-3743403	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Roderuck, L.L.C.	Maryland	22-3756336	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at Columbia Town Center, L.L.C.	Maryland	22-3757772	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian's Private Home Portfolio, L.L.C.	New Jersey	22-3766856	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701 (732) 747-7800
K. Hovnanian at North Haledon, L.L.C.	New Jersey	Waiting	10 Highway 35, P.O. Box 500, Red Bank, NJ 07701

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.  
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Subject to Completion, dated December \_\_, 2000

PROSPECTUS

\$150,000,000  
K. Hovnanian Enterprises, Inc.  
Offer to Exchange All Outstanding  
10 1/2% Senior Notes Due 2007  
for  
10 1/2% Senior Notes Due 2007  
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 \_\_\_\_\_, 2001, 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 \_\_\_\_\_, 2001, 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 certain 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. The exchange notes will be eligible for trading in The Portal(SM) Market.

You should consider carefully the risk factors beginning on page 8 of this prospectus before participating in the exchange offer.

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 such 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.

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 such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities.

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

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal defense.

This Prospectus is dated \_\_\_\_\_, 2000.



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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with any information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate as of the date of this document.

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PROSPECTUS SUMMARY

This brief summary highlights selected information from the prospectus. It may not contain all of the information that is important to you. K. Hovnanian urges you to carefully read and review the entire prospectus and the other documents to which it refers to fully understand the terms of the exchange securities and the exchange offer. As used in this offering memorandum, except as the context otherwise requires, references to "Hovnanian", "us", "we", "our" or "Company" means Hovnanian Enterprises, Inc., a Delaware corporation, together with its consolidated subsidiaries, including K. Hovnanian Enterprises, Inc. (the "Issuer" or "K. Hovnanian"), a New Jersey corporation.

Summary of the Terms of the Exchange Offer

General..... On October 2, 2000, K. Hovnanian completed a private offering of the outstanding notes, which consist of \$150,000,000 aggregate principal amount of its 10 1/2% Senior Notes due 2007. In connection with the private offering, we entered into a registration rights agreement in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the outstanding notes.

The Exchange Offer..... We are offering to exchange up to \$150,000,000 aggregate principal amount of our 10 1/2% Senior Notes due 2007 which have been registered under the Securities Act for a like aggregate principal amount of the outstanding notes. Outstanding notes may be exchanged only in integral multiples of \$1,000.

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

Subject to the satisfaction or waiver of specified conditions, we will exchange the applicable exchange notes for all outstanding notes that are validly tendered and not withdrawn prior to the expiration of the exchange offer. We will cause the exchange to be effected promptly after the expiration of the exchange offer.

Upon completion of the exchange offer, there may be no market for the outstanding notes and you may have difficulty selling them.

Resales..... Based on interpretations by the staff of the Securities and Exchange Commission set forth in no-action letters issued to third parties, we believe that exchange notes issued in the exchange offer may be offered for resale, resold, or otherwise transferred by you, without compliance with the registration and prospectus delivery requirements of the Securities Act, if:

- (1) you acquire the exchange notes in the ordinary course of your business;

- (2) you are not engaging in and do not intend to engage in a distribution of the exchange notes;
- (3) do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- (4) you are not an affiliate of K. Hovnanian within the meaning of Rule 405 under Securities Act.

If you are an affiliate of K. Hovnanian, or are engaging in or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the exchange notes:

- (1) you cannot rely on the applicable interpretations of the staff of the SEC; and
- (2) you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

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

Any holder of outstanding notes who

- . is an affiliate of K. Hovnanian
- . does not acquire exchange notes in the ordinary course of its business
- . tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes

cannot rely on the position of the staff of the SEC enunciated in Morgan Stanley & Co. Incorporated, Exxon Capital Holdings Corporation, as interpreted in the SEC's letter to Shearman & Sterling dated July 2, 1993, or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes.

Expiration Date..... The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2001 unless extended by us. We do not currently intend to extend the expiration date.

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

Interest on the Exchange  
Securities and the Outstanding  
Notes.....

The exchange notes will bear interest at the applicable rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from . Such interest will be payable semi-annually on each April 1 and October 1, commencing April 1, 2001. 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."

Exchange Agent.....

First Union National Bank is serving as exchange agent for the exchange offer.

Procedures for Tendering  
Outstanding Notes.....

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

- . any exchange notes that you receive will be acquired in the ordinary course of your business
- . you have no arrangement or understanding with any person or entity to participate in a distribution of the exchange notes
- . if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding securities that were acquired as a result of market-making activities, you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes
- . you are not an "affiliate," as defined in Rule 405 of the Securities Act, of K. Hovnanian or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act

Special Procedures for Beneficial  
Owners.....

If you are a beneficial owner of outstanding notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender such

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

Guaranteed Delivery Procedures..... If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC's Automated Tender Offer Program 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..... As a result of the making of, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement and, accordingly, we will not be obligated to pay liquidated damages as described in the registration rights agreement. If you are a holder of outstanding notes and you do not tender your outstanding notes in the exchange offer, you will continue to hold such outstanding notes and you will be entitled to all the rights and limitations applicable to the outstanding notes in the indenture, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.

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

Consequences of Failure to

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

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

Exchange Agent..... First Union National Bank is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned "The Exchange Offer--Exchange Agent" of this prospectus.

Summary of the Terms of the Exchange Notes

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

Issuer.....	K. Hovnanian Enterprises, Inc.
Securities Offered.....	We are offering \$150.0 million aggregate principal amount of 10 1/2% Senior Notes due 2007.
Maturity Date.....	October 1, 2007.
Interest Payment Dates.....	Every April 1 and October 1, beginning April 1, 2001.
Optional Redemption.....	We may redeem any or all of the notes at any time upon payment of a "make-whole price." In addition, we may redeem notes at any time prior to October 1, 2003 with the net cash proceeds of one or more public equity offerings so long as at least \$97.5 million principal amount of notes remains outstanding.
Change of Control.....	Upon a change of control as described in the section "Description of Exchange Notes," you will have the right to require us to purchase some or all of your notes at 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of your notes.
Guarantees.....	The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make them instead.
Ranking.....	<p>These notes are our general obligations and will not be secured by any collateral. Your right to payment under these notes will be:</p> <ul style="list-style-type: none"> <li>. junior to the rights of our secured creditors to the extent of their security in our assets;</li> <li>. equal with the rights of creditors under our other unsecured unsubordinated debt, including our revolving credit agreement; and</li> <li>. senior to the rights of creditors under debt expressly subordinated to these notes.</li> </ul> <p>The guarantee of each of the guarantors will also not be secured by any collateral. Your right to payment under any guarantee will be:</p> <ul style="list-style-type: none"> <li>. junior to the rights of secured creditors to the extent of their security in the guarantor's assets;</li> <li>. equal with the rights of creditors under the guarantor's other unsecured unsubordinated debt; and</li> <li>. senior to the rights of creditors under the guarantor's debt that is expressly subordinated to the guarantee.</li> </ul>

Certain Covenants..... The indenture governing the notes will, among other things, restrict our 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 Notes" under the heading "Certain Covenants."

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

K. HOVNIANIAN

We design, construct and market high-quality, single-family detached homes and attached condominium apartments and townhouses in planned residential developments in the Northeast (primarily in New Jersey, southern New York state and eastern Pennsylvania), Metro D.C. (northern Virginia and Maryland), Texas, North Carolina, southern California and Poland. We market our homes to first-time buyers, first- and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of homestyles at prices ranging in the United States from \$94,000 to \$921,000 with an average sales price in fiscal 1999 of \$241,000. We are currently offering homes for sale in 118 communities. Since the incorporation of our predecessor company in 1959, we have delivered in excess of 66,000 homes, including 4,230 homes in the twelve months ended July 31, 2000. In addition, we provide financial services (mortgage loans and title insurance) to our homebuilding customers.

We have successfully strengthened our market positions through recent and pending acquisitions, including our positions in the New Jersey market through the acquisition of Matzel and Mumford, in the Dallas-Fort Worth market through the acquisition of Goodman Family of Builders L.P. and in the North Carolina and Metro D.C. markets through our pending merger with Washington Homes.

We employed approximately 1,500 full-time associates as of July 31, 2000. Hovnianian was originally incorporated in New Jersey in 1967 as successor to a business founded in 1959 by Kevork S. Hovnianian and became a Delaware corporation in August 1983. K. Hovnianian was incorporated under the laws of the State of New Jersey on November 1, 1982, as an indirect wholly-owned consolidated subsidiary of Hovnianian. K. Hovnianian functions as a management company for the operating subsidiaries of Hovnianian and borrows funds which it lends to such subsidiaries. K. Hovnianian has essentially no independent operations and generates no operating revenues. Both Hovnianian's executive offices and K. Hovnianian's principal executive offices are located at 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701, and their telephone number is (732) 747-7800.

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 consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes. The outstanding notes that are surrendered in exchange for the exchange notes will be retired and canceled and cannot be reissued. As a result, the issuance of the exchange notes will not result in any increase or decrease in our capitalization.

We used the net proceeds from the private offering of the outstanding notes to repay outstanding debt under our revolving credit agreement.

Our revolving credit agreement expires on July 31, 2003, and bears interest at either the prime rate plus 0.25% or LIBOR plus 1.70% at our election.

RECENT DEVELOPMENTS

On August 28, 2000 Hovnianian and Washington Homes, Inc. entered into an Agreement and Plan of Merger providing for the merger of Washington Homes, Inc. into a wholly-owned subsidiary of Hovnianian. The Merger and related transactions are expected to close in late January, 2001, following shareholder approval. For more information on this transaction, see the information that has been incorporated by reference herein from the Current Report on Form 8-K filed on December 14, 2000 with the Securities and Exchange Commission.

RATIOS OF EARNINGS TO FIXED CHARGES

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

The following table sets forth the ratios of earnings to fixed charges for Hovnianian for the periods indicated.

	Nine months ended July 31, 2000 -----	Years ended October 31, 1999	1998	1997 ----
Ratio of earnings to fixed charges .....	1.6	3.0	2.6	(a)

(a) Earnings for the year ended October 31, 1997 were insufficient to cover fixed charges for such period by \$9,197,000.



## RISK FACTORS

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

If you do not participate in the exchange offer, you will continue to be subject to transfer restrictions.

If you do not exchange your outstanding notes in the exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes. We did not register the outstanding notes under the federal or any state securities laws, and we do not intend to register them following the exchange offer. As a result, the outstanding notes may only be transferred in limited circumstances under the securities laws. In addition, to the extent outstanding notes are tendered and accepted in the exchange offer, the trading market, if any, for the outstanding notes would be adversely affected. As a result, after the exchange offer, you may have difficulty selling your outstanding notes.

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

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

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

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

Substantial Leverage--Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under these notes.

We have a significant amount of debt. As of July 31, 2000, assuming we had completed the offering and the Washington Homes merger on that date, our consolidated debt would have been \$510.0 million. This offering will not reduce our debt. The amount of our 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.

Based on our current level of operations, we believe our cash flow from operations, available cash and available borrowings under our revolving credit facilities will be adequate to meet our future liquidity needs for the long term. We can not assure you, however, that in the future our business will generate sufficient cash flow from operations or that borrowings will be available to us under our revolving credit facilities in an amount sufficient to enable us to pay our indebtedness, including these notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our debt, including these notes, on or before maturity. We can not assure you that we will be able to refinance any of our debt, including our revolving credit facilities and these notes, on commercially reasonable terms or at all.

The indentures governing these notes and our other outstanding debt and our revolving credit facilities impose restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, sales of assets and cash distributions by us and require us to comply with certain financial covenants. 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.

General Economic, Real Estate and Other Conditions--Future changes in business conditions could adversely affect our business, including our ability to build homes at prices our customers are willing or able to pay.

The homebuilding industry is cyclical and is significantly affected by changes in general and local economic conditions, such as:

- . employment levels;
- . 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.

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

Our success in developing, building and selling homes depends in part upon the continued availability of suitable undeveloped land at acceptable prices. The availability of undeveloped land for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding of land prices and restrictive governmental regulation. Should suitable land opportunities become less available, our operating results could be adversely affected.

Land inventory risk can be substantial for homebuilders. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

In our business, 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. Although we employ various measures designed to manage inventory risks, we can give no assurance that such measures will be successful.

The homebuilding industry has from time to time experienced significant difficulties, including:

- . shortages of qualified trades people;
- . reliance on local contractors, who may be inadequately capitalized;
- . shortages of materials; and
- . increases in the cost of certain materials (particularly increases in the price of lumber, framing and cement, which are significant components of home construction costs).

These difficulties could cause us to take longer and pay more costs to build our homes. We may not be able to recapture increased costs by raising prices in many cases because we fixed 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.

We Depend on the Northeast Market.

We presently conduct, and will continue after the Washington Homes merger to conduct, most of our business in the Northeast. Home prices in the Northeast, including in some of the markets in which we operate, have declined from time to time, particularly as a result of slow economic growth. We cannot be certain that the current economic growth trend in the Northeast will continue. If home prices decline in one or more of the markets in which we operate, our results of operations may be adversely affected.

Interest Rates; Mortgage Financing--Future increases in interest rates could prevent potential customers from buying our homes and adversely affect our business.

Virtually all our customers finance their acquisitions through lenders providing mortgage financing. Increases in interest rates or decreases in availability of mortgage financing could depress the market 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 homes to potential buyers who need financing. This could adversely affect our results of operations.

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 such financing could adversely affect our sales.

Governmental Regulation and Environmental Matters--Governmental regulations could increase the cost and availability of our development and homebuilding projects and adversely affect our business.

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

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

Despite our past ability to obtain necessary permits and approvals for our communities, 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 have a material adverse effect on our 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.

Competition--Homebuilding is very competitive, and competitive conditions could adversely affect our results of operations.

The homebuilding industry is highly competitive and fragmented. Homebuilders compete not only for home buyers, but also for desirable properties, financing, raw materials and skilled labor. We compete with other local, regional and national homebuilders, often within larger subdivisions designed, planned and developed by such homebuilders. Some of our competitors also have greater sales and financial resources. In addition, resales of homes and the availability of rental housing provide additional competition.

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 adversely affect results of operations.

Future Capital Requirements--Our future growth requires additional capital whose availability is not assured.

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. We can give no assurance as to the terms or availability of such additional capital. Moreover, the indentures for our outstanding debt contain provisions that may restrict the debt we may incur in the future. If we are not successful in obtaining sufficient capital, it could reduce our sales and may adversely affect our future growth and results of operations.

We may have difficulty consummating or integrating mergers and acquisitions, including the Washington Homes merger, and certain consequences of those acquisitions that we do complete could adversely affect our operating results.

Although we expect to close the Washington Homes merger by late January, 2001, the merger is subject to significant conditions, including shareholder and regulatory approvals and the ability of either side to terminate the agreement if our share price goes above or below specified thresholds. As a result, we cannot be certain that it will be consummated. Although we have not recently announced any acquisitions or mergers other than the Washington Homes merger, in the future we may acquire other businesses. As a result of these acquisitions, we may need to integrate product lines, dispersed operations and distinct corporate cultures. These integration efforts may not succeed or may distract our management from operating our existing business. We can give no assurance that we will be able to realize the earnings enhancements that may be available. Our failure to successfully manage future acquisitions could harm our operating results.

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

If a change of control occurs as described in the section "Description of Exchange Notes" under the heading "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. If a purchase offer obligation arises under the indenture governing your notes, a change of control will have also occurred under one or more of the other indentures governing our debt. If a purchase offer were required under the indentures for our debt, we can give no assurance that we would have sufficient funds to pay the purchase price for all debt that we are required to repurchase or repay. After giving effect to this offering, we would not have sufficient funds available to purchase all of such outstanding debt.

Lack of Public Market for the Notes--We can not assure you that an active trading market will develop for these notes.

These notes are a new issue of securities. There is no active public trading market for these notes. We do not intend to apply for listing of these notes on a security exchange. The liquidity of the trading market in the notes, and the market prices quoted for the notes, may be adversely affected by changes in the overall market for these types of securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, we cannot assure you that an active trading market will develop for your notes, that you will be able to sell your notes, or that, even if you can sell your notes, that you will be able to sell them at an acceptable price.

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

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

- . such guarantee was incurred with fraudulent intent; or
- . such guarantor did not receive fair consideration or reasonably equivalent value for issuing its guarantee and
  - 1) insolvent at the time of the guarantee;
  - 2) rendered insolvent by reason of the guarantee;
  - 3) engaged in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or
  - 4) ended 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 would 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.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

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

	Nine Months Ended July 31,		Year Ended October 31,		
	2000	1999	1999	1998	1997
(\$ in thousands, except average selling prices)					
<b>Income Statement Data</b>					
Total revenues.....	\$784,019	\$648,291	\$948,287	\$941,947	\$784,136
Home and land sale revenues (1).....	\$766,321	\$628,602	\$920,630	\$904,280	\$754,662
Cost of sales.....	614,574	494,581	730,025	748,941	634,317
Inventory impairment loss (2).....	1,517	1,633	2,091	3,994	14,019
Homebuilding gross margin.....	150,230	132,388	188,514	151,345	106,326
Selling, general and administrative expense.....	76,495	56,460	81,396	67,519	62,475
Corporate general and administrative expenses.....	24,361	20,869	28,652	21,048	15,088
Home and land sales interest expense.....	24,256	21,237	29,175	32,151	30,467
(Loss) income from financial services.....	(1,140)	1,070	1,044	2,088	(45)
(Loss) income from investment properties.....	--	--	(1,373)	4,406	(11,906)
Income (loss) from collateral mortgage financing.....	49	(19)	15	11	(24)
Other income (net of other operations).....	(1,541)	1,844	1,640	4,160	1,555
Income (loss) before income taxes and extraordinary loss.....	22,486	36,717	50,617	41,292	(12,124)
State and federal income taxes.....	7,485	14,659	19,674	15,141	(5,154)
Income (loss) before extraordinary loss.....	15,001	22,058	30,943	26,151	(6,970)
Extraordinary loss from extinguishment of debt net of Taxes.....	--	(868)	(868)	(748)	--
Net income (loss).....	\$ 15,001	\$ 21,190	\$ 30,075	\$ 25,403	\$ (6,970)
<b>Selected Operating Data</b>					
New homes delivered:					
Northeast Region.....	1,323	1,499	2,063	2,530	2,128
Metro D.C.....	185	127	198	152	70
Texas.....	668	--	66	--	--
North Carolina.....	465	508	756	687	695
California.....	375	351	514	457	365
Florida.....	50	119	159	241	418
Other.....	11	11	12	71	41
Total.....	3,077	2,615	3,768	4,138	3,717
Net sales contracts:					
Northeast Region.....	1,506	1,379	1,885	2,375	2,438
Metro D.C.....	241	182	232	170	73
Texas.....	693	--	25	--	--
North Carolina.....	501	600	728	690	694
California.....	369	380	524	439	456
Florida.....	69	112	123	164	351
Other.....	47	6	18	39	61
Total.....	3,426	2,659	3,535	3,877	4,073
Backlog at period end:					
Number of homes.....	2,270	1,725	1,921	1,681	1,872
Dollar value using base prices.....	\$584,008	\$394,990	\$460,660	\$381,816	\$374,314
Average selling price for delivered homes.....	\$248,026	\$237,512	\$241,123	\$216,444	\$196,881
<b>Other Data</b>					
Gross margin percentage (3).....	19.8%	21.5%	20.9%	17.3%	15.6%
EBITDA (4).....	\$ 55,502	\$ 66,383	\$ 91,277	\$ 90,594	\$ 59,713
Interest incurred (5).....	\$ 28,093	\$ 17,705	\$ 24,594	\$ 28,947	\$ 34,777
Ratio of EBITDA to interest incurred.....	2.0x	3.7x	3.7x	3.1x	1.7x
Ratio of total debt to EBITDA(6).....	N/A	N/A	3.6x	2.5x	5.5x
<b>Balance Sheet Data</b>					
Housing inventories.....	\$616,426		\$527,230	\$375,733	\$410,393
Total assets.....	\$841,518		\$712,861	\$589,102	\$637,082
Total debt (6).....	\$432,461		\$330,194	\$ 29,065	\$328,696
Stockholders' equity.....	\$246,397		\$236,426	\$201,392	\$178,762

(1) Land sales for the periods presented were \$3,144,000 for the nine months ended July 31, 2000, \$7,508,000 for the nine months ended July 31, 1999, \$12,017,000, \$8,636,000 and \$22,855,000 for the years ended October 31, 1999, 1998 and 1997, respectively.

- (2) In accordance with the provisions of Financial Accounting Standards No. 121 ("FAS 121"), the Company records impairment losses on inventories related to communities under development or inventories and long-lived assets held for sale. Under FAS 121, communities under development are impaired if the undiscounted cash flows estimated to be generated from sales is less than the community's carrying amounts. Inventories and long-lived assets held for sale are impaired if the carrying amount exceeds its fair value less selling costs. Along with writeoffs of options not exercised (including related approval engineering and capitalized interest costs), such impairment losses for housing operations are reported as "Inventory impairment loss."
- (3) Before inventory impairment loss and land sales.
- (4) EBITDA means earnings (loss) before (a) income taxes, (b) interest expense, (c) amortization of capitalized interest, (d) depreciation and amortization, (e) a nonrecurring noncash charge relating to real estate inventory of \$1,517,000 for the nine months ended July 31, 2000, \$1,633,000 for the nine months ended July 31, 1999 and \$2,091,000, \$5,032,000 and \$28,465,000 for the years ended October 31, 1999, 1998 and 1997, respectively, and (f) extraordinary loss from early extinguishment of debt. EBITDA is a widely accepted financial indicator of a company's availability to service debt. However, EBITDA should not be considered as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of the Company's operating performance or as a measure of liquidity. In addition, our method of computation may not be comparable to other similarly titled measures of other companies.
- (5) Interest incurred consists of all cash interest and accrued interest costs, whether expensed or capitalized, excluding interest under our mortgage warehouse line and bonds collateralized by mortgages receivable.
- (6) Total debt excludes debt under our mortgage warehouse line and bonds collateralized by mortgages receivable.



Introduction

K. Hovnanian hereby offers to exchange a like principal amount of exchange notes for any or all outstanding notes in each case on the terms and subject to the conditions set forth in this prospectus and accompanying letter of transmittal. The offer described in the immediately preceding sentence is referred to in this prospectus as the "exchange offer." Holders may tender some or all of their outstanding notes pursuant to the exchange offer.

As of the date of this prospectus, \$150,000,000 aggregate principal amount of the outstanding notes. This prospectus, together with the letter of transmittal, is first being sent to holders of outstanding notes on or about , 2001.

Purpose and Effect of the Exchange Offer

We have 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. We also agreed to use our best efforts to cause such offer to be consummated on the earliest practicable date after the exchange offer registration statement has become effective but in no event no later than 30 days thereafter. The exchange notes will have terms substantially identical to the outstanding notes except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and liquidated damages for failure to observe certain obligations in the registration rights agreement. The outstanding notes were issued on October 2, 2000.

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

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

If we fail to comply with certain obligations under the registration rights agreement, we will be required to pay liquidated damages to holders of the outstanding notes. Please read "Description of Exchange Notes--Registration Rights; Liquidated Damages" for more details regarding the registration rights agreement.

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

- . such holder is not an affiliate of K. Hovnanian within the meaning of Rule 405 of the Securities Act
- . such holder is not engaged in, and does not intend to engage in, and has no arrangement with any person to participate in the distribution of the exchange notes
- . 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 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 such exchange notes. See "Plan of Distribution."

#### Resale of Exchange Notes

Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, we believe that exchange notes issued pursuant to the exchange offer may be offered for resale, resold, or otherwise transferred by any exchange note holders without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- . such holder is not an affiliate of K. Hovnanian within the meaning of Rule 405 under 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 of the exchange notes
- . such holder is acquiring exchange notes in the ordinary course of its business

Any holder who tenders in the exchange offer with the intention of participating in any manner in a distribution of the exchange notes:

- . cannot rely on the position of the Commission set forth in Morgan Stanley and Co., Inc., Exxon Capital Holdings Corporation, as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, or similar no action letters
- . must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such secondary resale transaction must be covered by an effective registration statement

This prospectus may be used for an offer to resell, resale or 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 pursuant to the exchange offer outstanding notes that are validly tendered and not withdrawn prior to the expiration date. We will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of outstanding notes surrendered under the exchange offer. Outstanding notes may only be tendered in multiples of \$1,000.

The form and terms of the exchange notes will be substantially identical to the form and terms of the outstanding notes except the exchange notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any liquidated damages upon our failure to fulfill our obligations under the registration rights agreement to file, and cause to be effective, a registration statement. 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 that authorized the issuance of the outstanding notes. Consequently, both series will be treated as a single class of debt securities under that indenture. For a description of the indenture, see "Description of Exchange 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, \$150 million aggregate principal amount of the outstanding notes are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indenture relating to the outstanding notes and the registration rights agreement.

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

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

#### Expiration Date; Extensions, Amendments

As used in this prospectus, the term "expiration date" means 5:00 p.m. New York City time, on \_\_\_\_\_, 2001. 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.

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

We reserve the right, in our sole discretion:

- . 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 of the Exchange Offer" have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent
- . subject to the terms of the registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof 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 such amendment in a manner reasonably calculated to inform the holders of outstanding notes of such amendment.

## Conditions to the Exchange Offer

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

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

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

- the representations described under "--Procedures for Tendering" and "Plan of Distribution."
- such 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.

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

## Procedures for Tendering

Only a holder of outstanding notes may tender such outstanding notes in the exchange offer. To tender in the exchange offer, a holder must:

- . 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 the letter of transmittal so requires; 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
- . the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such 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.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

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

Any beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee who wishes to participate in the exchange offer should promptly contact the person through which it beneficially owns such outstanding notes and instruct that person to tender outstanding notes on behalf of such beneficial owner. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its outstanding notes either:

- . make appropriate arrangements to register ownership of the outstanding notes in such owner's name or
- . obtain a properly completed bond power from the registered holder of outstanding notes

The transfer of registered ownership may take considerable time and may not be completed prior to the expiration date.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another "eligible institution" within the meaning of Rule 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 institution

If the letter of transmittal is signed by a person other than the registered holder of any outstanding notes listed on the outstanding notes, such outstanding notes must be endorsed or accompanied by a properly completed

bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding notes and an eligible institution must guarantee the signature on the bond power.

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

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, transmit their acceptance of the exchange electronically. They may do so by causing DTC to transfer the outstanding notes to the exchange agent in accordance with its 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, to the effect that:

- . DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering outstanding notes that are the subject of the book-entry confirmation
- . such 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)
- . the agreement may be enforced against such participant

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

- . outstanding notes or a timely book-entry confirmation of such outstanding notes into the exchange agent's account at DTC
- . 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 exchange notes acquired pursuant to the exchange offer are being acquired in the ordinary course of business of the person receiving the exchange notes (whether or not the person is the holder of the outstanding notes);
- . neither the holder nor any such other person is engaging in or intends to engage in a distribution of the exchange notes;
- . neither the holder nor any such other person has an arrangement or understanding with any person to participate in a distribution of the exchange notes;
- . neither the holder nor any such other person is an affiliate of Hovnanian, or if either is an affiliate, it will comply with the registration and prospectus delivery requirements of the Securities Act.

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 such broker-dealer as a result of market-making activities or other trading activities and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal

states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See "Plan of Distribution."

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

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

#### Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the outstanding notes at DTC, as book-entry transfer facility, for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution that is a participant in DTC's system may make book-entry delivery of outstanding notes by causing DTC to transfer the outstanding notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. 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 below.

#### 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 tender if:

- . the tender is made through an eligible institution
- . prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery, letter of transmittal (by facsimile transmission, mail, or hand delivery) or 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 institution with the exchange agent

- . the exchange agent receives such properly completed and executed letter of transmittal (or facsimile thereof), as well as all tendered outstanding notes in proper form for transfer or a book-entry confirmation, 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 tenders at any time prior to 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 such 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)
- . 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
- . a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

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

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



Delivery to: First Union National Bank, Exchange Agent

By Mail:

First Union National Bank  
Attn: Marcia Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Overnight Courier Delivery:

First Union National Bank  
Attn: Marcia Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Hand:

First Union National Bank  
Attn: Marcia Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Facsimile Transmissions:  
(704) 590-7628

Facsimile Confirmation:  
(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, such delivery or instructions will not be effective.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of 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 \$\_\_\_\_\_. They include:

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

Accounting Treatment

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

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.

#### 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
- . otherwise set forth in the offering circular 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 SEC staff, exchange notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by their holders (other than any such holder that is our "affiliate" within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the holders acquired the exchange notes in the ordinary course of the holders' business and the holders have no arrangement or understanding with respect to the distribution of the exchange notes to be acquired in the exchange offer. Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes:

- . could not rely on the applicable interpretations of the SEC
- . must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction

#### 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 EXCHANGE NOTES

### General

The form and terms of the exchange notes and the outstanding notes are identical in all material respects except that the registration rights and related liquidated damages provisions, and the transfer restrictions applicable to the outstanding notes do not apply to the exchange notes. All references to "Notes" in this section are references to both outstanding notes and exchange notes, unless otherwise specified.

We issued the outstanding 10 1/2% Senior Notes due 2007 under an indenture, dated as of October 2, 2000, among us, the Guarantors and First Union National Bank, as 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 of 1939. The exchange notes will be issued under the same indenture.

This description of the exchange notes contains definitions of terms, including those defined under the caption "Definitions of Certain Terms Used in the Indenture". The following discussion includes a summary description of certain material terms of the indenture, the registration rights agreement, and the exchange notes. Because this is a summary, it does not include all of the information that is included in the indenture, the registration rights agreement, or the exchange notes.

You should read the indenture and the registration rights agreement carefully and in their entirety because they, and not this description, define your rights as holders of the notes. You may request copies of these documents at our address set forth under "Where You Can Find More Information."

The outstanding notes and the exchange notes constitute a single series of debt securities under the indenture. If the Exchange Offer is consummated, holders of notes who do not exchange their notes in the Exchange Offer will vote together with the holders of the registered notes for all relevant purposes under the indenture. Accordingly, when determining whether the required holders have given notice, consent or waiver or taken any other action permitted under the indenture, any outstanding notes that remain outstanding after the Exchange Offer will be aggregated with the registered 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 notes and registered notes outstanding.

The exchange notes will bear interest from the date the exchange notes are first issued under the Indenture at the rate per annum shown on the cover page of this offering memorandum, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2001, to Holders of record at the close of business on March 15 or September 15, as the case may be, immediately preceding each such interest payment date. The exchange notes will mature on October 1, 2007, and will be issued in denominations of \$1,000 and integral multiples thereof.

The exchange notes are limited to an aggregate principal amount of \$200.0 million. The exchange notes are guaranteed by the Company and each of the Guarantors pursuant to the guarantees (the "Guarantees") described below.

The exchange notes are general unsecured obligations of the Issuer and rank senior in right of payment to all our future Indebtedness of the Issuer that is, by its terms, expressly subordinated in right of payment to the exchange notes and pari passu in right of payment with all our existing and future unsecured Indebtedness of the Issuer that is not so subordinated. The Guarantees are general unsecured obligations of the Company and the Guarantors and will rank senior in right of payment to all future Indebtedness of the Company and the Guarantors that is, by its terms, expressly subordinated in right of payment to the Guarantees and 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 exchange notes against those assets. At July 31, 2000, as adjusted to give effect to the transactions described under "Use of Proceeds" and the merger of Washington Homes, the Company, the Issuer and the Guarantors would have had approximately \$510.0 million (including the Notes) of Indebtedness outstanding, of which \$19.5 million would have been secured by assets of the Company and its Restricted Subsidiaries and \$100.0 million of which would have been subordinated to the Notes. In addition, the Indebtedness under the revolving credit agreement is secured by a pledge of the stock of KHL, Inc., a wholly owned subsidiary of the Company, which is not a guarantor of the notes.

#### Redemption

The notes are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time, as a whole or in part, at the election of the Issuer, at a price equal to the sum of (i) 100% of the principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, thereon to the redemption date plus (ii) the Make-Whole Amount, if any.

The term "Make-Whole Amount" shall mean, in connection with any optional redemption of any note, the excess, if any, of (i) 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 Reinvestment Rate (determined on the business day preceding the date of such redemption) from the respective dates on which such principal and interest would have been payable if such payment had not been made, over (ii) the aggregate principal amount of the notes being redeemed.

The term "Reinvestment Rate" shall mean 0.50% (one-half of one percent) plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the maturity of the principal being prepaid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment 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. For the purpose of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

The term "Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded U.S. government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination under the indenture, then such other reasonably comparable index which shall be designated by the Issuer.

The Issuer may redeem notes, at any time prior to October 1, 2003, with the net cash proceeds of one or more Public Equity Offerings by the Company, at a redemption price equal to 110.5% of the principal amount of such notes, plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption, provided, however, that after each such redemption not less than \$97.5 million principal amount of notes (excluding any notes held by the Company or any of its Affiliates) remains outstanding. Notice of any such redemption must be given within 60 days after the date of the closing of the relevant Public Equity Offering.

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

There is no sinking fund for the notes.

## The 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 Notes, including our obligations to pay principal, premium, if any, and interest with respect to the notes. The 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 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 Indenture requires that each existing and future Restricted Subsidiary (other than KHL, Inc. and K. Hovnanian Poland, Inc.) be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor.

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

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

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

## Certain Covenants

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

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

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

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

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 Indenture (including as set forth under "Limitations on Mergers, Consolidations and Sales of Assets" below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the 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 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 Indenture will require the payment of money for 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 indenture, a change of control will also have occurred under the indenture governing the Issuer's 9 3/4% Subordinated Notes due 2005, 9 1/8% Senior Notes due 2009 and under the revolving credit agreement. 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 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 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 notes when required upon a Change of Control will result in an Event of Default with respect to the 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 Notes which may be tendered to the Company upon the occurrence of a Change of Control.

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

(5) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the 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 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 Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

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

(2) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitations on Indebtedness" covenant; and

(3) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:

- (a) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), plus
- (b) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, plus
- (c) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (a)) equal to the lesser of (x) the return of

capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (a)), plus

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

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

- (A) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of the 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 Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "Affiliate Transaction"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

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

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

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

The 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 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 Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless:

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

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

The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (b) to the extent not so used, be applied to make a Net Cash Proceeds offer for the 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 Net Cash Proceeds Offer 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 and liquidated damages, if any, to the date of repurchase or repayment.

Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of notes in accordance with clause (b) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Net Cash Proceeds offer shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (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% 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 Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

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

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

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

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

- (a) encumbrances or restrictions existing under or by reason of applicable law,
- (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on May 4, 1999,
- (c) any restrictions or encumbrances arising under Acquired Indebtedness; provided, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; provided, however, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the 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 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 indenture or the 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 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 indenture provides that neither the Company nor the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the notes, the 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:

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

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

(3) in the case of a transaction involving the Company, immediately after giving effect to such transaction and the use of any net proceeds therefrom, on a pro forma basis, the Consolidated Net Worth of the Company or the Successor as the case may be, would be at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction (exclusive of any adjustments to Consolidated Net Worth attributable to transaction costs) less any amount treated as a Restricted Payment in connection with such transaction in accordance with the Indenture, and

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

#### Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

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

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

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

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

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

The Holders may not enforce the provisions of the indenture, the notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the notes then outstanding may direct the Trustee in its exercise of any trust or power, provided, however, that such direction does

not conflict with the terms of the indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest on the notes or that resulted from the failure to comply with the covenant entitled "Repurchase of Notes upon Change of Control") if the Trustee determines that withholding such notice is in the Holders' interest.

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

#### Defeasance of Indenture

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

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

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

- (1) depositing in trust with the Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the notes to their maturity, and
- (2) complying with certain other conditions, including delivery to the 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 Indenture.

#### Transfer and Exchange

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

#### Amendment, Supplement and Waiver

Subject to certain exceptions, the indenture, the notes or the Guarantees may be amended or supplemented with the consent (which may include consents obtained in connection with a tender offer or exchange offer for notes) of the Holders of at least a majority in principal amount of the notes then outstanding, and any existing Default under, or compliance with any provision of the Indenture may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the notes) with the consent (which may include

consents obtained in connection with a tender offer or exchange offer for notes) of the Holders of a majority in principal amount of the notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Trustee may amend or supplement the indenture, the notes or the Guarantees to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the indenture; to provide for uncertificated notes in addition to or in place of certificated notes; to make any change that does not adversely affect the legal rights of any Holder; to add a Guarantor; or to delete a Guarantor which, in accordance with the terms of the indenture, ceases to be liable on its Guarantee.

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

- (1) reduce the amount of notes whose Holders must consent to an amendment, supplement or waiver,
- (2) reduce the rate of or change the time for payment of interest, including default interest, on any note,
- (3) reduce the principal of or change the fixed maturity of any note or alter the provisions (including related definitions) with respect to redemptions described under "Optional Redemption" or with respect to mandatory offers to repurchase Notes described under "Limitations on Dispositions of Assets" or "Repurchase of Notes upon Change of Control,"
- (4) make any note payable in money other than that stated in the note,
- (5) make any change in the "Waiver of Past Defaults and Compliance with Indenture Provisions," "Rights of Holders to Receive Payment" or the "With Consent of Holders" sections set forth in the Indenture,
- (6) modify the ranking or priority of the notes or any Guarantee,
- (7) release any Guarantor from any of its obligations under its Guarantee or the indenture otherwise than in accordance with the indenture, or
- (8) waive a continuing Default or Event of Default in the payment of principal of or interest on the notes.

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

#### Concerning the Trustee

The indenture contains certain limitations on the rights of the Trustee, as 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 Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign. The Trustee is also trustee with respect to our 9 3/4% Subordinated Notes due 2005 and 9 1/8% Senior Notes due 2009.

#### Governing Law

The indenture, the notes and the Guarantees will be governed by the laws of the State of New York without giving effect to principles of conflict of laws.



## Definitions of Certain Terms Used in the Indenture

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

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

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

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

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

- (1) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,
- (2) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements),
- (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 Net Worth" of any Person as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of such Person and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less any amount attributable to Unrestricted Subsidiaries.

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

"Continuing Director" means a director who either was a member of the Board of Directors of the Company on the date of the 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 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 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 the provisions described under the caption "Certain Covenants--Repurchase of Notes upon Change of Control" and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Notes as are required pursuant to the provisions described under the caption "Certain Covenants--Repurchase of 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 the guarantee of the Notes by the Company and each Guarantor under the Indenture.

"Guarantors" means (i) initially, each of the Company's Subsidiaries, except the Issuer, four subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, a mortgage lending subsidiary, a subsidiary holding and licensing Hovnanian trade name and a subsidiary engaged in homebuilding activities in Poland and (ii) each of the Company's Subsidiaries which becomes a Guarantor of the Notes pursuant to the provisions of the Indenture.

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

"Indebtedness" of any Person means, without duplication,

(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 Indenture.

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

"Issue Date" means the date on which the Notes are originally issued under the Indenture.

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

"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.

"Notes" means the notes offered pursuant to this prospectus supplement.

"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 \$250 million principal amount outstanding at any one time;

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

(3) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; provided, however, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of the first paragraph of the covenant described under "Limitations on Indebtedness" at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(4) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

(5) Purchase Money Indebtedness;

(6) Capitalized Lease Obligations;

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

(8) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;

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

(10) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (10), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"Permitted Investment" means

(1) Cash Equivalents;

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

(3) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the 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 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 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 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.

"Public Equity Offering" means an underwritten public offering of Common Equity of the Company pursuant to an effective registration statement filed under the Securities Act (excluding registration statements filed on Form S-8 or any successor form).

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

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

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

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

- (1) 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,
- (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 and Poor's Ratings Group 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 of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Issue Date.

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

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

"Unrestricted Subsidiary" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; provided that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted

by the Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. The Unrestricted Subsidiaries will be the following: K. Hovnanian Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services II, Inc., Hovnanian Financial Services III, Inc. and Hovnanian Financial Services IV, Inc.

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 Indenture, to the extent provided therein, (2) the Company must be permitted under the "Limitations on Restricted Payments" covenant set forth in the Indenture to make the Restricted Payment deemed to have been made pursuant to clause (1), and (3) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

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

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

The indenture contains certain limitations on the rights of the 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 trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate that conflict within 90 days, apply to the SEC for permission to continue or resign.

The holders of a majority in principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain

exceptions. The indenture provides that in case an Event of Default shall occur (which shall not be cured), the 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 trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless that holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

#### Additional Information

Anyone who receives this prospectus may obtain a copy of the indenture and registration rights agreement without charge by writing to Hovnanian at 10 Highway 35, Red Bank, NJ 07701, Attention: Corporate Controller.

#### Book-Entry, Delivery and Form

We initially offered and sold the outstanding notes to QIBs in reliance on Rule 144A ("Rule 144A Notes"). We also offered and sold in offshore transactions in reliance on Regulation S ("Regulation S Notes").

Rule 144A Notes were initially represented by one or more notes in registered, global form without interest coupons (collectively, the "Rule 144A Global Notes"). The Rule 144A Global Notes were deposited upon issuance with the trustee as custodian for The Depository Trust Company ("DTC"), in New York, New York, 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. Regulation S Notes were initially represented by one or more temporary Global Notes in registered, global form without interest coupons (collectively, the "Regulation S Temporary Global Notes"). The Regulation S Temporary Global Notes are registered in the name of a nominee of DTC for credit to the subscribers' respective accounts at Euroclear and Clearstream. Beneficial interests in the Regulation S Temporary Global Notes may be held only through Euroclear or Clearstream.

Within a reasonable time period after the expiration of the period of 40 days commencing on the day after the latest of the commencement of the private offering and the original Issue Date (as defined) of the notes (such period through and including such 40th day, the "Restricted Period"), the Regulation S Temporary Global Notes will be exchanged for one or more permanent Global Notes (collectively, the "Regulation S Permanent Global Notes" and, together with the Regulation S Temporary Global Notes, the "Regulation S Global Notes" (the Regulation S Global Notes and Rule 144A Global Notes, collectively being the "Global Notes")) upon delivery to DTC of certification of compliance with the transfer restrictions applicable to the notes and pursuant to Regulation S as provided in the indenture. During the Restricted Period, beneficial interests in the Regulation S Temporary Global Notes were held only through Euroclear or Clearstream (as indirect participants in DTC), unless transferred to a person that takes delivery in the form of an interest in the corresponding Rule 144A Global Notes in accordance with the certification requirements described below. See "--Book-Entry, Delivery and Form--Exchanges between Regulation S Notes and Rule 144A Notes." Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See "--Book-Entry, Delivery and Form--Exchanges between Regulation S Notes and Rule 144A Notes."

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 ("Certificated Notes") except in the limited circumstances described below. See "--Book-Entry, Delivery and Form--Exchange of Book-Entry Notes for Certificated Notes."

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) were subject to certain restrictions on transfer and will bear a restrictive legend as described under "Notice to Investors." 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 (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

The notes may be presented for registration of transfer and exchange at the offices of the Registrar.

## Depository Procedures

DTC has advised us that DTC 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 purchaser), 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 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 us that pursuant to procedures established by it,

- (1) upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchaser with portions of the principal amount of Global Notes; and
- (2) ownership of such interests in the Global Notes will be shown on, and the transfer 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).

Investors in the Rule 144A Global Notes may hold interests therein directly through DTC or indirectly through organizations such as Euroclear and Clearstream. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are Participants in such systems, or indirectly through organizations which are Participants in such systems. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through organizations other than Euroclear and Clearstream that are Participants in the DTC system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their Participants through customers' securities accounts in their respective names on the books of their respective depositories. The depositories, in turn, will hold such interests in the Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held by Euroclear or Clearstream may also be subject to the procedures and requirements of such system.

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 "--Book-Entry, Delivery and Form--Exchange of Book-Entry Notes for Certificated Notes" and "--Book-Entry, Delivery and Form--Exchanges between Regulation S Notes and Rule 144A 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 liquidated damages, 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, we 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 us, the trustee nor any agent of the Company 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 Company that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security such as the Global Notes as shown on the records of DTC. Payments by Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will not be the responsibility of DTC, the trustee or the Company. Neither the Company nor the trustee will be liable for any delay by DTC or its Participants in identifying the beneficial owners of the notes, and the Company and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee as the registered owner of the notes 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, cross-market 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 fund settlement applicable to DTC. Euroclear Participants and Clearstream Participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities accounts of a Euroclear or Clearstream Participant purchasing an interest in a Global 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 a Global Note by or through a Euroclear or Clearstream Participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date. DTC has advised the Company that it will take any action permitted to be taken by a holder of 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 have given direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange Global Notes for legended notes in certificated form, and to distribute such 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 Company believes to be reliable, but the Company 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 Regulation S Global Notes and in the Rule 144A 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 Company, the initial purchaser 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 Book-Entry Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depository for the Global Note and the Company thereupon fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The Company, at its option, notifies the trustee in writing that it elects to cause the issuance of the notes in certificated form; 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 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 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) and will bear, in the case of the Rule 144A Global Notes or the Regulation S Temporary Global Notes, the restrictive legend referred to in "Notice to Investors" unless the Company determines otherwise, in compliance with applicable law.

#### Exchanges between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, a beneficial interest in the Regulation S Global Notes were to be transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Notes only upon receipt by the trustee of a written certification from the transferor to the effect that such transfer is being made

- (1) to a person whom the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A; or
- (2) pursuant to another exemption from the registration requirements under the Securities Act which is accompanied by an opinion of counsel regarding availability of such exemption; and
- (3) in accordance with all applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in the Rule 144A Global Notes may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the trustee a written certificate to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in such other Global Note, and accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Notes for a beneficial interest in the Rule 144A Global Notes or vice versa will be effected by DTC by means of an instruction originated by the trustee through the DTC/Deposit Withdrawal at Custodian system. Accordingly, in connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Notes or vice versa, as applicable.

#### Payments; Certifications by Holders of the Regulation S Temporary Global Notes

A holder of a beneficial interest in the Regulation S Temporary Global Notes must provide Euroclear or Clearstream, as the case may be, with a certificate in the form required by the indenture certifying that the beneficial owner of the interest in the Regulation S Temporary Global Notes is either not a U.S. Person (as defined below) or has purchased such interest in a transaction that is exempt from the registration requirements under the Securities Act (the "Regulation S Certificate"), and Euroclear or Clearstream, as the case may be, must provide to the trustee (or the Paying Agent if other than the trustee) a certificate in the form required by the indenture, prior to any exchange of such beneficial interest for a beneficial interest in the Regulation S Permanent Global Notes.

"U.S. Person" means

- (1) any individual resident in the United States;
- (2) any partnership or corporation organized or incorporated under the laws of the United States;
- (3) any estate of which an executor or administrator is a U.S. Person (other than an estate governed by foreign law and of which at least one executor or administrator is a non-U.S. Person who has sole or shared investment discretion with respect to its assets);
- (4) any trust of which any trustee is a U.S. Person (other than a trust of which at least one trustee is a non-U.S. Person who has sole or shared investment discretion with respect to its assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person);
- (5) any agency or branch of a foreign entity located in the United States;
- (6) any non-discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (7) any discretionary or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States (other than such an account held for the benefit or account of a non-U.S. Person);
- (8) any partnership or corporation organized or incorporated under the laws of a foreign jurisdiction and formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act (unless it is organized or incorporated, and owned, by accredited investors within the meaning of Rule 501(a) under the Securities Act who are not natural persons, estates or trusts); provided, however, that the term "U.S. Person" shall not include:
  - (a) a branch or agency of a U.S. Person that is located and operating outside the United States for valid business purposes as a locally regulated branch or agency engaged in the banking or insurance business;

- (b) any employee benefit plan established and administered in accordance with the law, customary practices and documentation of a foreign country; and
- (c) the international organizations set forth in Section 902(o)(7) of Regulation S under the Securities Act and any other similar international organizations, and their agencies, affiliates and pension plans.

#### Certificated Notes

Subject to certain conditions, any person having a beneficial interest in the Global Note may, upon request to the trustee, exchange such beneficial interest for notes in the form of Certificated Notes. Upon any such issuance, the trustee is required to register such Certificated Notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof). All such Certificated Notes issued in exchange for the Rule 144A Global Note or the Regulation S Temporary Global Note would be subject to the legend requirements described herein under "Notice to Investors." In addition, if:

- (1) We notify the trustee in writing that the Depositary is no longer willing or able to act as a depositary and we are unable to locate a qualified successor within 90 days; or
- (2) We, at our option, notify the trustee in writing that we elect to cause the issuance of notes in the form of Certificated Notes under the indenture;

then, upon surrender by the Global Note holder of its Global Note, Certificated Notes will be issued to each person that the Global Note holder and the Depositary identify as being the beneficial owner of the related notes.

Neither we nor the trustee will be liable for any delay by the Global Note holder or the Depositary in identifying the beneficial owners of notes and we and the trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note holder or the Depositary for all purposes.

#### Same Day Settlement And Payment

The indenture requires that payments in respect of the notes represented by the Global Note (including principal, premium, if any, interest and liquidated damages, if any) be made by wire transfer of immediately available next day funds to the accounts specified by the Global Note holder. With respect to Certificated Notes, we will make all payments of principal, premium, if any, interest and liquidated damages, if any, by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. We expect that secondary trading in the Certificated Notes will also be settled in immediately available funds.

#### Registration Rights; Liquidated Damages

The Company, the Issuer, the Guarantors and the initial purchasers entered into the registration rights agreement on October 2, 2000. Pursuant to the registration rights agreement, the Company, the Issuer and the Guarantors agreed to file with the SEC the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the exchange notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer will offer to the holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for New Notes. If:

- (1) the Issuer is not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or 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,

the Company, the Issuer and the Guarantors will 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 Guarantors will 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 each:

- (1) note, until the earliest to occur of:
  - (a) the date on which that note is exchanged in the Exchange Offer for a New 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 note has been disposed of in accordance with a Shelf Registration Statement (and purchasers thereof have been issued New Notes); or
  - (c) the date on which that note is distributed to the public pursuant to Rule 144 under the Securities Act; and
- (2) New Note issued to a broker-dealer until the date on which that New Note is disposed of by that broker-dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the prospectus contained therein).

The registration rights agreement provides that:

- (1) The Company, the Issuer and the Guarantors will file an Exchange Offer Registration Statement with the SEC on or prior to 90 days after the Closing Date;
- (2) the Company, the Issuer and the Guarantors will use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the SEC on or prior to 150 days after the Closing Date;
- (3) unless the Exchange Offer would not be permitted by applicable law or SEC policy, the Company, the Issuer and the Guarantors will 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, New Notes in exchange for all notes tendered prior thereto in the Exchange Offer; and
- (4) if obligated to file the Shelf Registration Statement, the Company, the Issuer and the 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 to be declared effective by the SEC on or prior to 90 days after that obligation arises.

The Company, the Issuer and the Guarantors will pay liquidated damages to each holder of notes upon the occurrence of any of the following:

- (1) the Company, the Issuer and the 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 (the "Effectiveness Target Date");
- (3) the Issuer fails to consummate the Exchange Offer within 40 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement; or
- (4) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the registration rights agreement

(each such event referred to in clauses (1) through (4) above a "Registration Default").

Such liquidated damages shall be:

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

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

Holder of notes will be required to make certain representations to the Company, the Issuer and the 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 benefit from the provisions regarding liquidated damages set forth above with respect to the Shelf Registration Statement.

Exchange of Notes

The exchange of outstanding notes for exchange notes in the exchange offer will not constitute a taxable event to holders for U.S. Federal Income Tax purposes. Consequently, no gain or loss will be recognized by a holder upon receipt of an exchange note, the holding period of the exchange note will include the holding period of the outstanding note and the basis of the exchange note will be the same as the basis of the outstanding note immediately before the exchange.

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

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such 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 such outstanding notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of one-year after the consummation date, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account 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 through a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices, or at negotiated prices. Any such 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 such broker-dealer or the purchasers of any such 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 such exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale or exchange notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is in an "underwriter" within the meaning of the Securities Act.

We have agreed, for a period of one year after the consummation date to promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have also agreed to pay all expenses incident to the exchange offer (including the expenses of one counsel for the initial purchasers of the outstanding notes directly from us) and will indemnify the holders of the notes (including any broker-dealers) against certain liabilities, including liabilities under the statement of a material fact contained in the registration statement or prospectus or (2) an omission or alleged omission to state in the registration statement or the prospectus a material fact that is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This indemnification obligation does not extend to statements or omissions in the registration statement or prospectus made in reliance upon and in conformity with written information pertaining to the holder that is furnished in writing to us by or on behalf of the holder.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements" including, in particular, the statements about our plans, strategies and prospects under the headings "Prospectus Summary." 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. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this offering memorandum, including under the heading "Risk Factors." 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.

#### LEGAL MATTERS

Certain legal matters relating to the exchange notes offered hereby will be passed upon for us by Simpson Thacher & Bartlett, New York, New York.

#### EXPERTS

The consolidated financial statements of Hovnanian Enterprises, Inc. appearing in Hovnanian Enterprises, Inc.'s Annual Report (Form 10-K) for the year ended October 31, 1999 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements incorporated in this prospectus by reference from Washington Homes, Inc.'s Current Report on Form 8-K dated September 20, 2000, for the year ended July 31, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

#### WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, and file reports, proxy statements and other information with the Commission. You may read and copy any reports, proxy statements and other information at the Commission's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional offices located at 500 West Madison Street, 14th Floor, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material also can be obtained by mail from the Public Reference Section of the Commission, at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at the prescribed rates. The Commission also maintains a website that contains reports, proxy and information statements and other information. The website address is: <http://www.sec.gov>. Hovnanian's Class A Common Stock is listed on the American Stock Exchange, and reports, proxy statements and other information also can be inspected at the offices of the American Stock Exchange, 86 Trinity Place, New York, New York 10006.

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

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

- . Annual Report on Form 10-K for the fiscal year ended October 31, 1999, Registration File No. 1-8551, and
- . Quarterly Reports on Form 10-Q for the quarters ended January 31, 2000, April 30, 2000 and July 31, 2000, Registration File No. 1-8551
- . Current Report on Form 8-K of Washington Homes, Inc. filed on September 20, 2000.



Current Report on Form 8-K filed on December 14, 2000.

All documents filed by Hovnanian pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of the offering made by this prospectus are to be incorporated herein by reference. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes 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).

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 another 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 1029(b)(7) of the General Corporation Law of the State of Delaware enables a corporation in its certificate of incorporation or an amendment thereto validly approved by stockholders to limit or eliminate the personal liability of the members of its board of directors for violations of the directors' fiduciary duty of care.

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

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

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

K. Hovnanian is a New Jersey corporation. Subsection 2 of Title 14A, Section 3-5 of the New Jersey Statutes grants any corporation organized for any purpose under any general or special law of New Jersey the power to indemnify a corporate agent against his expenses and liabilities in connection with any proceeding involving the corporate agent by reason of his being or having been such a corporate agent, other than a proceeding by or in the right of the

corporation, if (a) such corporate agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; and (b) with respect to any criminal proceeding, such corporate agent had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent does not by itself create a presumption that the corporate agent did not meet such applicable standards of conduct. Section 3 of Title 14A, Section 3-5 of the New Jersey Statutes grants any corporation organized under any general or special law of New Jersey the power to indemnify a director, officer, employee or agent of a corporation against his expenses in connection with any proceeding by or in the right of the corporation, which involves him by reason of his having been a corporate agent, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. However, no indemnification shall be provided in respect of any claim, issue or matter in which the corporate agent shall be adjudged to be liable to the corporation, unless and only to the extent that the Superior Court or the court in which the proceeding was brought determines, upon application, that despite the adjudication of liability, but in view of all circumstances of the case, the corporate agent is fairly and reasonably entitled to indemnity for expenses deemed proper by the Superior Court or such other court. Corporations organized for any purpose under any general or special law of New Jersey shall indemnify a corporate agent against expenses to the extent that such corporate agent has been successful on the merits or otherwise in any proceeding referred to in subsections 2 and 3 of Title 14A, Section 3-5.

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

Except as required by subsection 4, no indemnification shall be made or expenses advanced by a corporation or shall be ordered by a court if such action would be inconsistent with a provision of the certificate of incorporation, a bylaw, a resolution of the board of directors or of the shareholders, an agreement or other proper corporate action in effect at the time of the

accrual of the alleged cause of action asserted in the proceeding, which prohibits, limits or otherwise conditions the exercise of indemnification powers by the corporation or the rights to which a corporate agent may be entitled.

Neither K. Hovnanian's Certificate of Incorporation nor its bylaws contain any provisions relating to indemnity.

Item 21. Exhibits and Financial Statement Schedules

(a) Exhibits

- 1.1 Purchase Agreement, dated September 27, 2000 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and certain of its Subsidiaries and Donaldson, Lufkin and Jenrette Securities Corporation, Salomon Smith Barney, Inc. and PNC Capital Markets, Inc.
- 4.1 Indenture, dated as of October 2, 2000 among K. Hovnanian Enterprises, Inc., the Guarantors party named therein, and First Union National Bank as trustee.
- 4.2 Registration Rights Agreement, dated as of October 2, 2000 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and certain of its Subsidiaries and Donaldson, Lufkin and Jenrette Securities Corporation, Salomon Smith Barney, Inc. and PNC Capital Markets, Inc.
- 5.1 Opinion of Simpson Thacher & Bartlett \*
- 12.1 Statement re: Computation of Ratios of Earnings to Fixed Charges\*
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Simpson Thacher & Bartlett (contained in 5.1)\*
- 23.2 Consent of Ernst & Young LLP
- 23.3 Consent of Deloitte & Touche LLP
- 24.1 Powers of Attorney
- 25.1 Statement of eligibility and qualification under the Trust Indenture Act of 1939
- 99.1 Form of Letter of Transmittal
- 99.2 Form of Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees
- 99.3 Form of Letter to Clients
- 99.4 Form of Notice of Guaranteed Delivery

\* To be filed.

Item 22. Undertakings

The undersigned registrant hereby undertakes:

- 1. 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.
- 2. 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.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore unenforceable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Hovnanian Enterprises, Inc. certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on December 27, 2000.

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby  
-----  
J. Larry Sorsby  
Executive Vice President  
Chief Financial Officer

POWER OF ATTORNEY

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

Signature -----	Title -----	Date ----
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000
_____ Arthur M. Greenbaum	Director	December __, 2000
_____ Desmond P. McDonald	Director	December __, 2000
_____ Stephen D. Weinroth	Director	December __, 2000

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan	Senior Vice President -	December 27, 2000

----- Paul W. Buchanan -----	Corporate Controller and Director	
/s/ Peter S. Reinhart ----- Peter S. Reinhart -----	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby -----	Executive Vice President, Chief Financial Officer and Director	December 27, 2000
----- Arthur M. Greenbaum -----	Director	December __, 2000
----- Desmond P. McDonald -----	Director	December __, 2000
----- Stephen D. Weinroth -----	Director	December __, 2000

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, K. Hovnanian Enterprises, Inc. certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, December 27, 2000.

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

-----  
J. Larry Sorsby  
Executive Vice President  
Chief Financial Officer

## POWER OF ATTORNEY

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

Signature -----	Title -----	Date ----
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, each of the Registrants, as listed on the attached Schedule of Subsidiary Registrants has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on December 27, 2000.

Registrants (as listed on the attached Schedule of Subsidiary Registrants)

By: /s/ J. Larry Sorsby

-----  
 J. Larry Sorsby  
 Executive Vice President  
 Chief Financial Officer

POWER OF ATTORNEY

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

Signature	Title	Date
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000



K. HOVNANIAN ENTERPRISES, INC.

as ISSUER

HOVNANIAN ENTERPRISES, INC.

and CERTAIN OF ITS SUBSIDIARIES

as GUARANTORS

\$150,000,000

10.5% Series A Senior Notes due 2007

Purchase Agreement

September 27, 2000

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

SALOMON SMITH BARNEY INC.

PNC CAPITAL MARKETS, INC.

\$150,000,000

K. Hovnanian Enterprises, Inc.

10.5% Series A Senior Notes due 2007

Guaranteed by

Hovnanian Enterprises, Inc.

and certain of its Subsidiaries

PURCHASE AGREEMENT

-----

September 27, 2000

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION  
SALOMON SMITH BARNEY INC.  
PNC CAPITAL MARKETS, INC.  
c/o Donaldson, Lufkin & Jenrette Securities Corporation  
277 Park Avenue  
New York, New York 10172

Dear Sirs:

K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "Company"), proposes to issue and sell to Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), Salomon Smith Barney Inc. and PNC Capital Markets, Inc. (each an "Initial Purchaser" and collectively the "Initial Purchasers") an aggregate of \$150 million in principal amount of its 10.5% Series A Senior Notes due 2007 (the "Series A Notes") guaranteed (the "Guarantees") by Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian") and the subsidiary guarantors listed on Schedule A hereto (together with Hovnanian, the "Guarantors"). The Series A Notes are to be issued pursuant to the provisions of an Indenture to be dated as of the Closing Date (as amended, the "Indenture") among the Company, the Guarantors and First Union National Bank, as Trustee (the "Trustee"). Capitalized terms used

but not defined herein shall have the meanings given to such terms in the Indenture.

Section 1. Offering Memorandum. The Series A Notes will be offered and sold to the Initial Purchasers pursuant to one or more exemptions from the registration requirements under the Securities Act of 1933, as amended (the "Act"). The Company and the Guarantors have prepared a preliminary offering memorandum, dated September 20, 2000 (the "Preliminary Offering Memorandum") and a final offering memorandum, dated September 27, 2000 (the "Offering Memorandum"), relating to the Series A Notes and the Guarantees.

Upon original issuance thereof, and until such time as the same is no longer required pursuant to the Indenture, the Series A Notes (and all securities issued in exchange therefor, in substitution thereof or upon conversion thereof) shall bear the following legend:

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

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

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF

RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF 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 COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION 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 TRANSACTION" 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."

Section 2. Agreements to Sell and Purchase. On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to issue and sell to the Initial Purchasers, and each Initial Purchaser agrees, severally and not jointly, to purchase from the Company the principal amount of Series A Notes set forth opposite the name of such Initial Purchaser on Schedule B hereto at a purchase price equal to 96.475% of the principal amount thereof (the "Purchase Price").

Section 3. Terms of Offering. The Initial Purchasers have advised the Company that the Initial Purchasers will make offers (the "Exempt Resales") of the Series A Notes purchased hereunder on the terms set forth in the Offering Memorandum, as amended or supplemented, solely to (i) persons whom the Initial Purchasers reasonably believe to be "qualified institutional buyers" as defined in Rule 144A under the Act ("QIBs") and (ii) persons permitted to purchase the Series A Notes in offshore transactions in reliance upon Regulation S under the Act (each, a "Regulation S Purchaser") (such persons specified in clauses (i) and (ii) being referred to herein as the "Eligible Purchasers"). The Initial Purchasers will offer the Series A Notes to Eligible Purchasers initially at a price equal to 97.6% of the principal amount thereof. Such price may be changed at any time without notice.

Holders (including subsequent transferees) of the Series A Notes will have the registration rights set forth in the registration rights agreement (the "Registration Rights Agreement"), to be dated the Closing Date, in substantially the form of Exhibit A hereto, for so long as such Series A Notes constitute "Transfer Restricted Securities" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Company and the Guarantors will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein, (i) a registration statement under the Act (the "Exchange Offer Registration Statement") relating to the Company's 10.5% Series B Senior Notes due 2007 (the "Series B Notes"), to be offered in exchange for the Series A Notes (such offer to exchange being referred to as the "Exchange Offer") and the Guarantees thereof and (ii) a shelf registration statement pursuant to Rule 415 under the Act (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, the "Registration Statements") relating to the resale by certain holders of the Series A Notes and to use its best efforts to cause such Registration Statements to be declared and remain effective and usable for the periods specified in the Registration Rights Agreement and to consummate the Exchange Offer. This Agreement, the Indenture, the Notes, the Guarantees and the Registration Rights Agreement are hereinafter sometimes referred to collectively as the "Operative Documents."

#### Section 4. Deliver and Payment.

(a) Delivery of, and payment of the Purchase Price for, the Series A Notes shall be made at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, NY 10017 or such other location as may be mutually acceptable. Such delivery and payment shall be made at 9:30 a.m. New York City time, on October 2, 2000 or at such other time on the same date or such other date as shall be agreed upon by the Initial

Purchasers and the Company in writing. The time and date of such delivery and the payment for the Series A Notes are herein called the "Closing Date."

(b) One or more of the Series A Notes in definitive global form, registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), having an aggregate principal amount corresponding to the aggregate principal amount of the Series A Notes (collectively, the "Global Note"), shall be delivered by the Company to the Initial Purchasers (or as the Initial Purchasers direct) in each case with any transfer taxes thereon duly paid by the Company against payment by the Initial Purchasers of the Purchase Price thereof by wire transfer in same day funds to the order of the Company. The Global Note shall be made available to the Initial Purchasers for inspection not later than 9:30 a.m., New York City time, on the business day immediately preceding the Closing Date.

Section 5. Agreements of the Company and Hovnanian. Company and Hovnanian agree with the Initial Purchasers as follows:

(a) To advise the Initial Purchasers promptly and, if requested by the Initial Purchasers, confirm such advice in writing, (A) of the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of any Series A Notes for offering or sale in any jurisdiction designated by the Initial Purchasers pursuant to Section 5(e) hereof, or the initiation of any proceeding by any state securities commission or any other federal or state regulatory authority for such purpose and (B) of the happening of any event during the period referred to in Section 5(c) below that makes any statement of a material fact made in the Preliminary Offering Memorandum or the Offering Memorandum untrue or that requires any additions to or changes in the Preliminary Offering Memorandum or the Offering Memorandum in order to make the statements therein not misleading. The Company and the Guarantors shall use their best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of any Series A Notes under any state securities or Blue Sky laws and, if at any time any state securities commission or other federal or state regulatory authority shall issue an order suspending the qualification or exemption of any Series A Notes under any state securities or Blue Sky laws, the Company and the Guarantors shall use their best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(b) To furnish the Initial Purchasers and those persons identified by the Initial Purchasers to the Company as many copies of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments or



supplements thereto, as the Initial Purchasers may reasonably request for the time period specified in Section 5(c). Subject to the Initial Purchasers' compliance with their representations and warranties and agreements set forth in Section 7 hereof, the Company consents to the use of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments and supplements thereto required pursuant hereto, by the Initial Purchasers in connection with Exempt Resales.

(c) During such period as in the opinion of counsel for the Initial Purchasers an Offering Memorandum is required by law to be delivered in connection with Exempt Resales by the Initial Purchasers, (A) not to make any amendment or supplement to the Offering Memorandum of which the Initial Purchasers shall not previously have been advised or to which the Initial Purchasers shall reasonably object after being so advised and (B) to prepare promptly upon the Initial Purchasers' reasonable request, any amendment or supplement to the Offering Memorandum which may be necessary or advisable in connection with such Exempt Resales.

(d) If, during the period referred to in Section 5(c) above, any event shall occur or condition shall exist as a result of which, in the opinion of counsel to the Initial Purchasers, it becomes necessary to amend or supplement the Offering Memorandum in order to make the statements therein, in the light of the circumstances when such Offering Memorandum is delivered to an Eligible Purchaser, not misleading, or if, in the opinion of counsel to the Initial Purchasers, it is necessary to amend or supplement the Offering Memorandum to comply with any applicable law, forthwith to prepare an appropriate amendment or supplement to such Offering Memorandum so that the statements therein, as so amended or supplemented, will not, in the light of the circumstances when it is so delivered, be misleading, or so that such Offering Memorandum will comply with applicable law, and to furnish to the Initial Purchasers and such other persons as the Initial Purchasers may designate such number of copies thereof as the Initial Purchasers may reasonably request.

(e) Prior to the sale of all Series A Notes pursuant to Exempt Resales as contemplated hereby, to cooperate with the Initial Purchasers and counsel to the Initial Purchasers in connection with the registration or qualification of the Series A Notes for offer and sale to the Initial Purchasers and pursuant to Exempt Resales under the securities or Blue Sky laws of such jurisdictions as the Initial Purchasers may request and to continue such registration or qualification in effect so long as required for Exempt Resales and to file such consents to service of process or other documents as may be necessary in order to effect such registration or qualification; provided, however, that neither the Company nor any Guarantor shall be required in connection therewith to qualify as a foreign

corporation in any jurisdiction in which it is not now so qualified or to take any action that would subject it to general consent to service of process or taxation other than as to matters and transactions relating to the Preliminary Offering Memorandum, the Offering Memorandum or Exempt Resales, in any jurisdiction in which it is not now so subject.

(f) So long as the Notes are outstanding, to furnish to the Initial Purchasers as soon as available copies of all reports or other communications furnished by the Company or any of the Guarantors to its security holders or furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company or any of the Guarantors is listed and such other publicly available information concerning the Company, Hovnanian and/or its subsidiaries as the Initial Purchasers may reasonably request.

(g) So long as any of the Series A Notes remain outstanding and during any period in which the Company and the Guarantors are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to make available to any holder of Series A Notes in connection with any sale thereof and any prospective purchaser of such Series A Notes from such holder, the information ("Rule 144A Information") required by Rule 144A(d)(4) under the Act.

(h) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of the obligations of the Company and the Guarantors under this Agreement, including: (A) the fees, disbursements and expenses of counsel to the Company and the Guarantors and accountants of the Company and the Guarantors in connection with the sale and delivery of the Series A Notes to the Initial Purchasers and pursuant to Exempt Resales, and all other fees and expenses in connection with the preparation, printing and distribution of the Preliminary Offering Memorandum, the Offering Memorandum and all amendments and supplements to any of the foregoing (including financial statements), including the mailing and delivering of copies thereof to the Initial Purchasers and persons designated by them in the quantities specified herein, (B) all costs and expenses related to the transfer and delivery of the Series A Notes to the Initial Purchasers and pursuant to Exempt Resales, including any transfer or other taxes payable thereon, (C) all costs of printing or producing this Agreement, the other Operative Documents and any other agreements or documents in connection with the offering, purchase, sale or delivery of the Series A Notes, (D) all expenses in connection with the registration or qualification of the Series A Notes and the Guarantees for offer and sale under the securities or Blue Sky laws of the several states and all costs of printing or producing any preliminary and

supplemental Blue Sky memoranda in connection therewith (including the filing fees and fees and disbursements of counsel for the Initial Purchasers in connection with such registration or qualification and memoranda relating thereto), (E) the cost of printing certificates representing the Series A Notes and the Guarantees, (F) all expenses and listing fees in connection with the application for quotation of the Series A Notes in the National Association of Securities Dealers, Inc. ("NASD") Automated Quotation System -PORTAL ("PORTAL"), (G) the fees and expenses of the Trustee and the Trustee's counsel in connection with the Indenture, the Notes and the Guarantees, (H) the costs and charges of any transfer agent, registrar and/or depository (including DTC), (I) any fees charged by rating agencies for the rating of the Notes, (J) all costs and expenses of the Exchange Offer and any Registration Statement, as set forth in the Registration Rights Agreement, and (K) and all other costs and expenses incident to the performance of the obligations of the Company and the Guarantors hereunder for which provision is not otherwise made in this Section.

(i) To use its best efforts to effect the inclusion of the Series A Notes in PORTAL and to maintain the listing of the Series A Notes on PORTAL for so long as the Series A Notes are outstanding.

(j) To obtain the approval of DTC for "book-entry" transfer of the Notes, and to comply with all of its agreements set forth in the representation letters of the Company and the Guarantors to DTC relating to the approval of the Notes by DTC for "book-entry" transfer.

(k) During the period beginning on the date hereof and continuing to and including the Closing Date, not to offer, sell, contract to sell or otherwise transfer or dispose of any debt securities of the Company or any Guarantor or any warrants, rights or options to purchase or otherwise acquire debt securities of the Company or any Guarantor substantially similar to the Notes and the Guarantees (other than (A) the Notes and the Guarantees and (B) commercial paper issued in the ordinary course of business), without the prior written consent of DLJ.

(l) Not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Act) that would be integrated with the sale of the Series A Notes to the Initial Purchasers or pursuant to Exempt Resales in a manner that would require the registration of any such sale of the Series A Notes under the Act.

(m) Not to voluntarily claim, and to actively resist any attempts to claim, the benefit of any usury laws against the holders of any Notes and the related Guarantees.

(n) To cause the Exchange Offer to be made in the appropriate form to permit Series B Notes and guarantees thereof by the Guarantors registered pursuant to the Act to be offered in exchange for the Series A Notes and the Subsidiary Guarantees and to comply with all applicable federal and state securities laws in connection with the Exchange Offer.

(o) To comply with all of its agreements set forth in the Registration Rights Agreement.

(p) To use its best efforts to do and perform all things required or necessary to be done and performed under this Agreement by it prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Series A Notes and the Guarantees.

SECTION 6. Representations and Warranties of the Company and Hovnanian. The Company and Hovnanian represent and warrant to each of the Initial Purchasers that:

(a) The Preliminary Offering Memorandum and the Offering Memorandum do not, and any supplement or amendment to them will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties contained in this Section 6(a) shall not apply to statements in or omissions from the Preliminary Offering Memorandum or the Offering Memorandum (or any supplement or amendment thereto) based upon information relating to the Initial Purchasers furnished to the Company in writing by the Initial Purchasers expressly for use therein. No stop order preventing the use of the Preliminary Offering Memorandum or the Offering Memorandum, or any amendment or supplement thereto, or any order asserting that any of the transactions contemplated by this Agreement are subject to the registration requirements of the Act, has been issued.

(b) Each of the Company, Hovnanian and its subsidiaries has been duly incorporated, is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to carry on its business as described in the Preliminary Offering Memorandum and the Offering Memorandum and to own, lease and operate its properties, and each is duly qualified and is in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business, prospects,

financial condition or results of operations of Hovnanian and its subsidiaries, taken as a whole (a "Material Adverse Effect").

(c) All outstanding shares of capital stock of the Company and Hovnanian have been duly authorized and validly issued and are fully paid, non-assessable and not subject to any preemptive or similar rights.

(d) All of the outstanding shares of capital stock of each of Hovnanian's subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable, and are owned by Hovnanian, directly or indirectly through one or more subsidiaries, free and clear of any security interest, claim, lien, encumbrance or adverse interest of any nature (each, a "Lien").

(e) This Agreement has been duly authorized, executed and delivered by the Company and Hovnanian.

(f) The Indenture has been duly authorized by the Company and each of the Guarantors and, on the Closing Date, will have been validly executed and delivered by the Company and each of the Guarantors. When the Indenture has been duly executed and delivered by the Company and each of the Guarantors, and, assuming the Indenture is a valid and binding obligation of the Trustee, the Indenture will be a valid and binding agreement of the Company and each Guarantor, enforceable against the Company and each Guarantor in accordance with its terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. On the Closing Date, the Indenture will conform in all material respects to the requirements of the Trust Indenture Act of 1939, as amended (the "TIA" or "Trust Indenture Act"), and the rules and regulations of the Commission applicable to an indenture which is qualified thereunder.

(g) The Series A Notes have been duly authorized and, on the Closing Date, will have been validly executed and delivered by the Company. When the Series A Notes have been issued, executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, the Series A Notes will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether

considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. On the Closing Date, the Series A Notes will conform as to legal matters to the description thereof contained in the Offering Memorandum.

(h) On the Closing Date, the Series B Notes will have been duly authorized by the Company. When the Series B Notes are issued, executed and authenticated in accordance with the terms of the Exchange Offer and the Indenture, the Series B Notes will be entitled to the benefits of the Indenture and will be the valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(i) The Guarantee to be endorsed on the Series A Notes by each Guarantor has been duly authorized by such Guarantor and, on the Closing Date, will have been duly executed and delivered by each such Guarantor. When the Series A Notes have been issued, executed and authenticated in accordance with the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, the Guarantee of each Guarantor endorsed thereon will be entitled to the benefits of the Indenture and will be the valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. On the Closing Date, the Guarantees to be endorsed on the Series A Notes will conform as to legal matters to the description thereof contained in the Offering Memorandum.

(j) The Guarantee to be endorsed on the Series B Notes by each Guarantor has been duly authorized by such Guarantor and, when issued, will have been duly executed and delivered by each such Guarantor. When the Series B Notes have been issued, executed and authenticated in accordance with the terms of the Exchange Offer and the Indenture, the Guarantee of each Guarantor endorsed thereon will be entitled to the benefits of the Indenture and will be the valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting

creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. When the Series B Notes are issued, authenticated and delivered, the Guarantees to be endorsed on the Series B Notes will conform as to legal matters to the description thereof contained in the Offering Memorandum.

(k) The Registration Rights Agreement has been duly authorized by the Company and each of the Guarantors and, on the Closing Date, will have been duly executed and delivered by the Company and each of the Guarantors. When the Registration Rights Agreement has been duly executed and delivered, the Registration Rights Agreement will be a valid and binding agreement of the Company and each of the Guarantors, enforceable against the Company and each Guarantor in accordance with its terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing. On the Closing Date, the Registration Rights Agreement will conform as to legal matters to the description thereof in the Offering Memorandum.

(l) Neither the Company, Hovnanian nor any of its subsidiaries is in violation of its respective charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company, Hovnanian and its subsidiaries, taken as a whole, to which the Company, Hovnanian or any of its subsidiaries is a party or by which the Company, Hovnanian or any of its subsidiaries or their respective property is bound.

(m) The execution, delivery and performance of this Agreement and the other Operative Documents by the Company and each of the Guarantors, as applicable, compliance by the Company and each of the Guarantors with all provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency (except such consents as may be required under the securities or Blue Sky laws of the various states), (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, the charter or by-laws of the Company or any Guarantor or any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company or Hovnanian and its subsidiaries, taken as a whole, to which the Company or the Guarantors is a party or by which the Company or the Guarantors or their respective property is bound, (C) violate or conflict with any applicable law or any rule, regulation,

judgment, order or decree of any court or any governmental body or agency having jurisdiction over the Company, Hovnanian or any of its subsidiaries or their respective property, (D) result in the imposition or creation of (or the obligation to create or impose) a Lien under, any agreement or instrument to which the Company, Hovnanian or any of its subsidiaries is a party or by which the Company, Hovnanian or any of its subsidiaries or their respective property is bound, or (E) result in the termination, suspension or revocation of any Authorization (as defined below) of the Company, Hovnanian or any of its subsidiaries or result in any other impairment of the rights of the holder of any such Authorization; except where the failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction or to have any such Authorization would not, singly or in the aggregate have a Material Adverse Effect;

(n) The execution, delivery and performance of the Merger Agreement by the Company and Hovnanian, compliance by the Company and Hovnanian with all provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) to the knowledge of the Company or Hovnanian, require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency (except such consents (i) listed in the Merger Agreement and (ii) as may be required under the securities or Blue Sky laws of the various states), (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, the charter or bylaws of the Company or Hovnanian or any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company or Hovnanian and its subsidiaries, taken as a whole, to which the Company or Hovnanian is a party or by which the Company or Hovnanian or their respective property is bound, or (C) violate or conflict with any applicable law or any rule, regulation, judgment, order or decree of any court or any governmental body or agency having jurisdiction over the Company, Hovnanian or any of its subsidiaries or their respective property;

(o) There are no legal or governmental proceedings pending or threatened to which the Company, Hovnanian or any of its subsidiaries is or could be a party or to which any of their respective property is or could be subject, which might result, singly or in the aggregate, in a Material Adverse Effect.

(p) Except as disclosed in the Offering Memorandum, neither the Company, Hovnanian nor any of its subsidiaries has violated any foreign, federal, state or local law or regulation relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), any provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any



provisions of the Foreign Corrupt Practices Act or the rules and regulations promulgated thereunder, except for such violations which, singly or in the aggregate, would not have a Material Adverse Effect.

(q) Except as disclosed in the Offering Memorandum, each of the Company, Hovnanian and its subsidiaries has such permits, licenses, consents, exemptions, franchises, authorizations and other approvals (each, an "Authorization") of, and has made all filings with and notices to, all governmental or regulatory authorities and self-regulatory organizations and all courts and other tribunals, including without limitation, under any applicable Environmental Laws, as are necessary to own, lease, license and operate its respective properties and to conduct its business, except where the failure to have any such Authorization or to make any such filing or notice would not, singly or in the aggregate, have a Material Adverse Effect. Each such Authorization is valid and in full force and effect and each of the Company, Hovnanian and its subsidiaries is in compliance with all the terms and conditions thereof and with the rules and regulations of the authorities and governing bodies having jurisdiction with respect thereto; and no event has occurred (including, without limitation, the receipt of any notice from any authority or governing body) which allows or, after notice or lapse of time or both, would allow, revocation, suspension or termination of any such Authorization or results or, after notice or lapse of time or both, would result in any other impairment of the rights of the holder of any such Authorization; except where such failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction would not, singly or in the aggregate, have a Material Adverse Effect.

(r) The accountants, Ernst & Young LLP and Deloitte & Touche, that have certified the financial statements and supporting schedules included in the Preliminary Offering Memorandum and the Offering Memorandum are independent public accountants with respect to the Company and the Guarantors and Washington Homes, Inc., as applicable, as required by the Act and the Exchange Act.

(s) The historical financial statements, together with related schedules and notes forming part of the Offering Memorandum (and any amendment or supplement thereto), present fairly the consolidated financial position, results of operations and changes in financial position of Hovnanian and its subsidiaries and Washington Homes, Inc. and its subsidiaries, on the basis stated in the Offering Memorandum at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the other

financial and statistical information and data set forth in the Offering Memorandum (and any amendment or supplement thereto) are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of Hovnanian and Washington Homes, Inc., as applicable.

(t) The pro forma financial statements included in the Preliminary Offering Memorandum and the Offering Memorandum have been prepared on a basis consistent with the historical financial statements of Hovnanian and its subsidiaries and give effect to assumptions used in the preparation thereof on a reasonable basis and in good faith and present fairly the historical and proposed transactions contemplated by the Preliminary Offering Memorandum and the Offering Memorandum. The other pro forma financial and statistical information and data included in the Offering Memorandum are, in all material respects, accurately presented and prepared on a basis consistent with the pro forma financial statements.

(u) The Company and Hovnanian are not and, after giving effect to the offering and sale of the Series A Notes and the application of the net proceeds thereof as described in the Offering Memorandum, will not be, an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(v) There are no contracts, agreements or understandings between the Company or Hovnanian and any person granting such person the right to require the Company or Hovnanian to file a registration statement under the Act with respect to any securities of the Company or Hovnanian or to require the Company or Hovnanian to include such securities with the Notes and Guarantees registered pursuant to any Registration Statement.

(w) Neither the Company, Hovnanian nor any of its subsidiaries nor any agent thereof acting on the behalf of them has taken, and none of them will take, any action that might cause this Agreement or the issuance or sale of the Series A Notes to violate Regulation G (12 C.F.R. Part 207), Regulation T (12 C.F.R. Part 220), Regulation U (12 C.F.R. Part 221) or Regulation X (12 C.F.R. Part 224) of the Board of Governors of the Federal Reserve System.

(x) No "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Act has indicated to the Company or Hovnanian that it is considering (1) the downgrading, suspension, or withdrawal of, or any review for a possible change that does not indicate the direction of the possible change in, any rating so assigned or (2) any change in the

outlook for any rating of the Company, any Guarantor or any securities of the Company or Hovnanian;

(y) Since the respective dates as of which information is given in the Offering Memorandum other than as set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), (A) there has not occurred any material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or the earnings, business, management or operations of the Company, Hovnanian and its subsidiaries, taken as a whole, (B) there has not been any material adverse change or any development involving a prospective material adverse change in the capital stock or in the long-term debt of the Company, Hovnanian or any of its subsidiaries and (C) neither the Company, Hovnanian nor any of its subsidiaries has incurred any material liability or obligation, direct or contingent.

(z) Each of the Preliminary Offering Memorandum and the Offering Memorandum, as of its date, contains all the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Act.

(aa) When the Series A Notes and the Guarantees are issued and delivered pursuant to this Agreement, neither the Series A Notes nor the Guarantees will be of the same class (within the meaning of Rule 144A under the Act) as any security of the Company or Hovnanian that is listed on a national securities exchange registered under Section 6 of the Exchange Act or that is quoted in a United States automated inter-dealer quotation system.

(bb) No form of general solicitation or general advertising (as defined in Regulation D under the Act) was used by the Company, Hovnanian or any of their respective representatives (other than the Initial Purchasers, as to whom the Company and Hovnanian make no representation) in connection with the offer and sale of the Series A Notes contemplated hereby, including, but not limited to, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. No securities of the same class as the Series A Notes have been issued and sold by the Company within the six-month period immediately prior to the date hereof.

(cc) Prior to the effectiveness of any Registration Statement, the Indenture is not required to be qualified under the TIA.

(dd) None of the Company, Hovnanian nor any of their respective affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company and Hovnanian make no representation) has engaged or will engage in any directed selling efforts within the meaning of Regulation S under the Act ("Regulation S") with respect to the Series A Notes or the Guarantees.

(ee) The Company, Hovnanian and their respective affiliates and all persons acting on their behalf (other than the Initial Purchasers, as to whom the Company and the Guarantors make no representation) have complied with and will comply with the offering restrictions requirements of Regulation S in connection with the offering of the Series A Notes outside the United States and, in connection therewith, the Offering Memorandum will contain the disclosure required by Rule 902(h).

(ff) Each of the Company and Hovnanian is a "reporting issuer", as defined in Rule 902 under the Act.

(gg) The Series A Notes offered and sold by the Company or Hovnanian in reliance on Regulation S have been and will be offered and sold only in offshore transactions.

(hh) The sale of the Series A Notes by the Company or Hovnanian pursuant to Regulation S is not part of a plan or scheme to evade the registration provisions of the Act.

(ii) No registration under the Act of the Series A Notes or the Guarantees is required for the sale of the Series A Notes and the Guarantees to the Initial Purchasers as contemplated hereby or for the Exempt Resales assuming the accuracy of the Initial Purchasers' representations and warranties and agreements set forth in Section 7 hereof.

The Company acknowledges that the Initial Purchasers and, for purposes of the opinions to be delivered to the Initial Purchaser pursuant to Section 9 hereof, counsel to the Company and the Guarantors and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and hereby consents to such reliance.

Section 7. Initial Purchasers' Representations and Warranties. Each of the Initial Purchasers, severally and not jointly, represents and warrants to the Company and the Guarantors, and agrees that:

(a) Such Initial Purchaser is a QIB with such knowledge and experience in financial and business matters as is necessary in order to evaluate the merits and risks of an investment in the Series A Notes.

(b) Such Initial Purchaser (A) is not acquiring the Series A Notes with a view to any distribution thereof or with any present intention of offering or selling any of the Series A Notes in a transaction that would violate the Act or the securities laws of any state of the United States or any other applicable jurisdiction and (B) will be reoffering and reselling the Series A Notes only to (x) QIBs in reliance on the exemption from the registration requirements of the Act provided by Rule 144A and (y) in offshore transactions in reliance upon Regulation S under the Act.

(c) Such Initial Purchaser agrees that no form of general solicitation or general advertising (within the meaning of Regulation D under the Act) has been or will be used by such Initial Purchaser or any of its representatives in connection with the offer and sale of the Series A Notes pursuant hereto, including, but not limited to, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(d) Such Initial Purchaser agrees that, in connection with Exempt Resales, such Initial Purchaser will solicit offers to buy the Series A Notes only from, and will offer to sell the Series A Notes only to, Eligible Purchasers. Each Initial Purchaser further agrees that it will offer to sell the Series A Notes only to, and will solicit offers to buy the Series A Notes only from (A) Eligible Purchasers that the Initial Purchaser reasonably believes are QIBs and (B) Regulation S Purchasers, in each case, that agree that (x) the Series A Notes purchased by them may be resold, pledged or otherwise transferred within the time period referred to under Rule 144(k) (taking into account the provisions of Rule 144(d) under the Act, if applicable) under the Act, as in effect on the date of the transfer of such Series A Notes, only (1) to the Company, Hovnanian or any of its subsidiaries, (2) 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 under the Act, (3) in an offshore transaction (as defined in Rule 902 under the Act) meeting the requirements of Rule 904 of the Act, (4) in a transaction meeting the requirements of Rule 144 under the Act, (5) to an Accredited Institution that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the registration of transfer of such Series A Note (the form of which is substantially the same as Annex A to the Offering Memorandum) and, if such transfer is in respect of an aggregate principal amount of Series A Notes less than \$250,000, an opinion of

counsel acceptable to the Company that such transfer is in compliance with the Act, (6) in accordance with another exemption from the registration requirements of the Act (and based upon an opinion of counsel acceptable to the Company) or (7) pursuant to an effective registration statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction and (y) they will deliver to each person to whom such Series A Notes or an interest therein is transferred a notice substantially to the effect of the foregoing.

(e) Such Initial Purchaser and its affiliates or any person acting on its or their behalf have not engaged or will not engage in any directed selling efforts within the meaning of Regulation S with respect to the Series A Notes or the Guarantees.

(f) The Series A Notes offered and sold by such Initial Purchaser pursuant hereto in reliance on Regulation S have been and will be offered and sold only in offshore transactions.

(g) The sale of the Series A Notes offered and sold by such Initial Purchaser pursuant hereto in reliance on Regulation S is not part of a plan or scheme to evade the registration provisions of the Act.

(h) Such Initial Purchaser agrees that it has not offered or sold and will not offer or sell the Series A Notes in the United States or to, or for the benefit or account of, a U.S. Person (other than a distributor), in each case, as defined in Rule 902 under the Act (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Series A Notes pursuant hereto and the Closing Date, other than in accordance with Regulation S of the Act or another exemption from the registration requirements of the Act. Such Initial Purchaser agrees that, during such 40-day restricted period, it will not cause any advertisement with respect to the Series A Notes (including any "tombstone" advertisement) to be published in any newspaper or periodical or posted in any public place and will not issue any circular relating to the Series A Notes, except such advertisements as are permitted by and include the statements required by Regulation S.

(i) Such Initial Purchaser agrees that, at or prior to confirmation of a sale of Series A Notes by it to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the 40-day restricted period referred to in Rule 903(c)(2) under the Act, it will send to such distributor, dealer or person receiving a selling concession, fee or other remuneration a confirmation or notice to substantially the following effect:

"The Series A Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of your distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act (or Rule 144A or to Accredited Institutions in transactions that are exempt from the registration requirements of the Securities Act), and in connection with any subsequent sale by you of the Series A Notes covered hereby in reliance on Regulation S during the period referred to above to any distributor, dealer or person receiving a selling concession, fee or other remuneration, you must deliver a notice to substantially the foregoing effect. Terms used above have the meanings assigned to them in Regulation S."

Such Initial Purchaser acknowledges that the Company and the Guarantors and, for purposes of the opinions to be delivered to each Initial Purchaser pursuant to Section 9 hereof, counsel to the Company and the Guarantors and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and such Initial Purchaser hereby consents to such reliance.

Section 8. Indemnification. (a) The Company and Hovnanian, jointly and severally, agree to indemnify and hold harmless each Initial Purchaser, its directors, its officers and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages, liabilities and judgments (including, without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action, that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in the Offering Memorandum (or any amendment or supplement thereto), the Preliminary Offering Memorandum or any Rule 144A Information provided by the Company or Hovnanian to any holder or prospective purchaser of Series A Notes pursuant to Section 5(g) or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Initial Purchaser furnished in writing to the Company or Hovnanian by such Initial Purchaser through you expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any Preliminary Offering

Memorandum shall not inure to the benefit of any Initial Purchaser who failed to deliver a Final Offering Memorandum, as then amended or supplemented (so long as the Final Offering Memorandum and any amendment or supplement thereto was provided by the Company or Hovnanian to the several Initial Purchasers in the requisite quantity and on a timely basis to permit proper delivery on or prior to the Closing Date) to the person asserting any losses, claims, damages, liabilities or judgements caused by any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in the Final Offering Memorandum, as so amended or supplemented.

(b) Each Initial Purchaser agrees, severally and not jointly, to indemnify and hold harmless the Company and Hovnanian, and their respective directors and officers and each person, if any, who controls Hovnanian within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company and Hovnanian to such Initial Purchaser but only with reference to information relating to such Initial Purchaser furnished in writing to the Company or Hovnanian by such Initial Purchaser expressly for use in the Preliminary Offering Memorandum or the Offering Memorandum.

(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "indemnified party"), the indemnified party shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), the Initial Purchasers shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of such Initial Purchaser). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may



be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by DLJ, in the case of parties indemnified pursuant to Section 8(a), and by the Company or Hovnanian, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than twenty business days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent the indemnification provided for in this Section 8 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and Hovnanian on the one hand and the Initial Purchasers on the other hand from the offering of the Series A Notes or (ii) if the allocation provided by clause 8(d)(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 8(d)(i) above but also the relative fault of the Company and Hovnanian on the one hand and the Initial Purchasers on the other

hand in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative benefits received by the Company and Hovnanian on the one hand and the Initial Purchasers on the other hand shall be deemed to be in the same proportion as the total net proceeds from the offering (after deducting underwriting discounts and commissions but before deducting expenses) received by the Company and Hovnanian, and the total discounts and commissions received by the Initial Purchasers, bear to the total price to investors of the Series A Notes, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault of the Company and Hovnanian on the one hand and the Initial Purchasers, on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and Hovnanian on the one hand or the Initial Purchasers on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, Hovnanian and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such indemnified party in connection with investigating or defending any matter, including any action, that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total discounts and commissions received by such Initial Purchasers exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Series A Notes purchased by each of the Initial Purchasers hereunder and not joint.

(e) The remedies provided for in this Section 8 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

Section 9. Conditions of Initial Purchasers Obligations. The several obligations of the Initial Purchasers to purchase the Series A Notes under this Agreement are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Company, Hovnanian and its subsidiaries contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) On or after the date hereof, (i) there shall not have occurred any downgrading, suspension or withdrawal of, nor shall any notice have been given of any potential or intended downgrading, suspension or withdrawal of, or of any review (or of any potential or intended review) for a possible change that does not indicate the direction of the possible change in, any rating of the Company or Hovnanian or any securities of the Company or Hovnanian (including, without limitation, the placing of any of the foregoing ratings on credit watch with negative or developing implications or under review with an uncertain direction) by any "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Act, (ii) there shall not have occurred any change, nor shall any notice have been given of any potential or intended change, in the outlook for any rating of the Company or Hovnanian or any securities of the Company or Hovnanian by any such rating organization and (iii) no such rating organization shall have given notice that it has assigned (or is considering assigning) a lower rating to the Series A Notes than that on which the Series A Notes were marketed.

(c) You shall have received on the Closing Date a certificate dated the Closing Date, signed by Ara K. Hovnanian and J. Larry Sorsby, in their capacities as President-Chief Executive Officer and Chief Financial Officer-Treasurer of Hovnanian, confirming the matters set forth in Sections 6(w), 9(a) and 9(b) and that, in all material respects, the Company and Hovnanian have complied with all of the agreements and satisfied all of the conditions herein contained and required to be complied with or satisfied by the Company and Hovnanian on or prior to the Closing Date.

(d) Since the respective dates as of which information is given in the Offering Memorandum other than as set forth in the Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), (i) there shall not have occurred any change or any development

involving a prospective change in the condition, financial or otherwise, or the earnings, business, management or operations of Hovnanian and its subsidiaries, taken as a whole, (ii) there shall not have been any change or any development involving a prospective change in the capital stock or in the long-term debt of the Company or Hovnanian and (iii) neither the Company, Hovnanian, nor any of its subsidiaries shall have incurred any liability or obligation, direct or contingent, the effect of which, in any such case described in clause 9(d)(i), 9(d)(ii) or 9(d)(iii), in your judgment, is material and adverse and, in your judgment, makes it impracticable to market the Series A Notes on the terms and in the manner contemplated in the Offering Memorandum.

(e) You shall have received on the Closing Date an opinion (satisfactory to you and counsel for the Initial Purchasers), dated the Closing Date, of Simpson Thacher & Bartlett, New York, New York, counsel for the Company, to the effect that:

(i) the Series A Notes have been duly authorized by the Company and assuming due authentication thereof by the Trustee and your payment and delivery in accordance with the terms of this Agreement, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing;

(ii) assuming the guarantee of the Series A Notes has been duly authorized and issued by the Guarantors, when the Series A Notes have been executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, such guarantee will be valid and binding obligations of such Guarantors except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing;

(iii) the Indenture has been duly authorized, executed and delivered by the Company and the Guarantors and, assuming the Indenture is a valid and legally binding obligation of the Trustee, constitutes a valid and binding agreement of the Company and the Guarantors, enforceable in

accordance with its terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing;

(iv) the Indenture complies as to form in all material respects with the requirements of the TIA, and the rules and regulations of the Commission applicable to an indenture which is qualified thereunder. It is not necessary in connection with the offer, sale and delivery of the Series A Notes to the Initial Purchasers in the manner contemplated by this Agreement or in connection with the Exempt Resales to qualify the Indenture under the TIA;

(v) this Agreement has been duly authorized, executed and delivered by the Company and Hovnanian;

(vi) the Registration Rights Agreement has been duly authorized, executed and delivered by the Company and the Guarantors and is a valid and binding agreement of the Company and the Guarantors, enforceable in accordance with its terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing and as rights to indemnity and contribution thereunder may be limited by applicable law;

(vii) the Series B Notes have been duly authorized

(viii) neither the Company nor Hovnanian is and, after giving effect to the offering and sale of the Series A Notes and the application of the proceeds thereof as described in the Offering Memorandum, will be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(ix) no registration under the Act of the Series A Notes or the Guarantees is required for the sale of the Series A Notes and the Guarantees to the Initial Purchasers solely in the manner contemplated by this Agreement or for the Exempt Resales assuming that (1) each Initial Purchaser is a QIB or a Regulation S Purchaser, (2) the accuracy of, and compliance with, the Initial Purchaser's representations and agreements

contained in Section 7 of this Agreement and (3) the accuracy of the representations of the Company and the Guarantors set forth in Sections 6(cc), 6(dd), 6(ee), 6(ff) and 6(gg) of this Agreement;

(x) the statements under the captions "Description of Notes" in the Offering Memorandum, insofar as such statements purport to constitute a summary of certain terms of documents referred to therein, constitute accurate summaries of the terms of such documents;

(xi) the statements set forth in the Offering memorandum under the caption "Certain United States Federal Income Tax Consequences to Non-U.S. Persons," insofar as they purport to constitute summaries of matters of United States federal tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described in all material respects;

(xii) (A) each document, if any, filed pursuant to the Exchange Act and incorporated by reference in the Offering Memorandum (except for financial statements and other financial data included therein as to which no opinion need be expressed) complied when so filed as to form with the Exchange Act, (B) such counsel has no reason to believe that, as of the date of the Offering Memorandum or as of the Closing Date, the Offering Memorandum, as amended or supplemented, if applicable (except for the financial statements and other financial data, as aforesaid) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, Simpson Thacher & Bartlett may rely as to matters involving the application of laws of any jurisdiction other than the State of New York, the General Corporation Law of the State of Delaware or the Federal Law of the United States, to the extent they deem proper and specified in such opinion, upon the opinion of Peter S. Reinhart, Esq., Senior Vice President and General Counsel for the Company.

The opinion of described in Section 9(e) above shall be rendered to you at the request of the Company and the Guarantors and shall so state therein. In giving such opinions with respect to the matters covered by Section 9(e)(xii), Simpson Thacher & Bartlett may state that their opinion and belief are based upon their participation in the preparation of the Offering Memorandum and any amendments or supplements thereto and documents incorporated therein by reference and review and discussion of the contents thereof, but is without independent check or verification except as specified.

(f) You shall have received on the Closing Date an opinion (satisfactory to you and counsel to the Initial Purchasers), dated the Closing Date, of Peter S. Reinhart, Esq., Senior Vice President and General Counsel for the Company, to the effect of that:

(i) each of the Company, Hovnanian and the subsidiary guarantors which are material and which are listed on a schedule to such opinion (the "Material Subsidiaries") has been duly incorporated, is validly existing as a corporation or a limited liability company in good standing under the laws of its jurisdiction of incorporation or formation and has the corporate power and authority to carry on its business as described in the Offering Memorandum and to own, lease and operate its properties;

(ii) each of the Company, Hovnanian and the Material Subsidiaries is duly qualified and is in good standing as a foreign corporation or limited liability company authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect;

(iii) all the outstanding shares of capital stock of the Company, Hovnanian and the Material Subsidiaries have been duly authorized and validly issued and are fully paid, non-assessable and not subject to any preemptive or similar rights;

(iv) the guarantee of the Series A Notes has been duly authorized by each of the Guarantors and, when the Series A Notes have been executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, such guarantee will be valid and binding obligations of each such Guarantor except as (A) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (B) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability;

(v) this Agreement and the Registration Rights Agreement have been duly authorized, executed and delivered by the Guarantors;

(vi) neither the Company, Hovnanian nor any of the Material Subsidiaries is in violation of its respective charter or by-laws and, to the best of such counsel's knowledge after due inquiry, neither the Company,

Hovnanian nor any of the Material Subsidiaries is in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company, Hovnanian and its subsidiaries, taken as a whole, to which the Company, Hovnanian and its subsidiaries is a party or by which the Company, Hovnanian or its subsidiaries or their respective property is bound;

(vii) the execution, delivery and performance of this Agreement, the Registration Rights Agreement, the Indenture and the Series A Notes by the Company, the execution, delivery and performance of this Agreement, the Registration Rights Agreement, the Indenture and the guarantee of the Series A Notes by the Guarantors, the execution, delivery and performance of the Merger Agreement by Hovnanian, the compliance by the Company and the Guarantors with all the provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (A) require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency (except (i) those listed in the Merger Agreement and (ii) such as may be required under the securities or Blue Sky laws of the various states), (B) conflict with or constitute a breach of any of the terms or provisions of, or a default under, the charter or by-laws of the Company, Hovnanian or any of its subsidiaries or any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company or Hovnanian and its subsidiaries, taken as a whole, to which the Company, Hovnanian and its subsidiaries is a party or by which the Company, Hovnanian or its subsidiaries or their respective property is bound, (C) violate or conflict with any applicable law or any rule, regulation, judgment, order or decree of any court or any governmental body or agency having jurisdiction over the Company, Hovnanian, any of its subsidiaries or their respective property, (D) result in the imposition or creation of (or the obligation to create or impose) a Lien under any agreement or instrument to which the Company, Hovnanian or any of its subsidiaries is a party or by which the Company, Hovnanian or any of its subsidiaries or their respective property is bound or (E) result in the suspension, termination or revocation of any Authorization of the Company, Hovnanian or any of its subsidiaries or any other impairment of the rights of the holder of any such Authorization; except where the failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction or to have any such Authorization would not, singly or in the aggregate, have a Material Adverse Effect;



(viii) after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company, Hovnanian or any of its subsidiaries is or could be a party or to which any of their respective property is or could be subject, which might result, singly or in the aggregate, in a Material Adverse Effect;

(ix) neither the Company, Hovnanian nor any of its subsidiaries has violated any Environmental Law, any provisions of the Employee Retirement Income Security Act of 1974, as amended, or any provisions of the Foreign Corrupt Practices Act or the rules and regulations promulgated thereunder, except for such violations which, singly or in the aggregate, would not have a Material Adverse Effect;

(x) each of the Company, Hovnanian and its subsidiaries has such Authorizations of, and has made all filings with and notices to, all governmental or regulatory authorities and self-regulatory organizations and all courts and other tribunals, including, without limitation, under any applicable Environmental Laws, as are necessary to own, lease, license and operate its respective properties and to conduct its business, except where the failure to have any such Authorization or to make any such filing or notice would not, singly or in the aggregate, have a material adverse effect on the business, prospects, financial condition or results of operations of Hovnanian and its subsidiaries, taken as a whole; each such Authorization is valid and in full force and effect and each of the Company, Hovnanian and its subsidiaries is in compliance with all the terms and conditions thereof and with the rules and regulations of the authorities and governing bodies having jurisdiction with respect thereto; and no event has occurred (including, without limitation, the receipt of any notice from any authority or governing body) which allows or, after notice or lapse of time or both, would allow, revocation, suspension or termination of any such Authorization or results or, after notice or lapse of time or both, would result in any other impairment of the rights of the holder of any such Authorization; except where such failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction would not, singly or in the aggregate, have a Material Adverse Effect;

(xi) to the best of such counsel's knowledge after due inquiry, there are no contracts, agreements or understandings between the Company or Hovnanian and any person granting such person the right to require the Company or Hovnanian to file a registration statement under the Act with respect to any securities of the Company or Hovnanian or to require the Company or Hovnanian to include such securities with the

Series A Notes and Guarantees registered pursuant to any Registration Statement; and

(xii) (A) each document, if any, filed pursuant to the Exchange Act and incorporated by reference in the Offering Memorandum (except for financial statements and other financial data included therein as to which no opinion need be expressed) complied when so filed as to form with the Exchange Act, (B) such counsel has no reason to believe that, as of the date of the Offering Memorandum or as of the Closing Date, the Offering Memorandum, as amended or supplemented, if applicable (except for the financial statements and other financial data, as aforesaid) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may rely as to matters involving the application of laws of any jurisdiction other than the State of New Jersey, to the extent they deem proper and specified in such opinion, upon the opinion of Simpson Thacher & Bartlett, Counsel for the Company.

(g) You shall have received on the Closing Date an opinion, dated the Closing Date, of Davis Polk & Wardwell, New York, New York, counsel for the Initial Purchasers, in form and substance reasonably satisfactory to the Initial Purchasers.

(h) The Initial Purchasers shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to you, from Ernst & Young LLP and Deloitte & Touche LLP, independent public accountants, containing the information and statements of the type ordinarily included in accountants' "comfort letters" to Initial Purchasers with respect to the financial statements and certain financial information contained in or incorporated by reference into the Offering Memorandum.

(i) The Series A Notes shall have been rated "BB- " by Standard & Poor's Corporation and "Ba3" by Moody's Investors Service, Inc

(j) The Series A Notes shall have been approved by the NASD for trading and duly listed in PORTAL.

(k) Each Initial Purchaser shall have received a counterpart, conformed as executed, of the Indenture which shall have been entered into by the Company, the Guarantors and the Trustee..

(l) The Company and the Guarantors shall have executed the Registration Rights Agreement and each Initial Purchaser shall have received an original copy thereof, duly executed by the Company and the Guarantors.

(m) Neither the Company nor Hovnanian shall have failed on or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by the Company and Hovnanian on or prior to the Closing Date.

SECTION 10. Effectiveness of Agreement and Termination. This Agreement shall become effective upon the execution and delivery of this Agreement by the parties hereto.

This Agreement may be terminated at any time on or prior to the Closing Date by you by written notice to the Company and Hovnanian if any of the following has occurred: (i) any outbreak or escalation of hostilities or other 31 national or international calamity or crisis or change in economic conditions or in the financial markets of the United States or elsewhere that, in your judgment, is material and adverse and, in the Initial Purchasers' judgment, makes it impracticable to market the Series A Notes on the terms and in the manner contemplated in the Offering Memorandum, (ii) the suspension or material limitation of trading in securities or other instruments on the New York Stock Exchange, the American Stock Exchange, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange, the Chicago Board of Trade or the Nasdaq National Market or limitation or prices for securities or other instruments on any such exchange or the Nasdaq National Market, (iii) the suspension of trading of any securities of the Company or Hovnanian on any exchange or in the over-the-counter market, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects, or will materially and adversely affect, the business, prospects, financial condition or results of operations of Hovnanian and its subsidiaries, taken as a whole, (v) the declaration of a banking moratorium by either federal or New York State authorities or (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in your opinion has a material adverse effect on the financial markets in the United States.

If on the Closing Date any one or more of the Initial Purchasers shall fail or refuse to purchase the Series A Notes which it or they have agreed to purchase hereunder on such date and the aggregate principal amount of the Series A Notes which such defaulting Initial Purchaser or Initial Purchasers, as the case may be, agreed but failed or refused to purchase is not more than one-tenth of the

aggregate principal amount of the Series A Notes to be purchased on such date by all Initial Purchasers, each non-defaulting Initial Purchaser shall be obligated severally, in the proportion which the principal amount of the Series A Notes set forth opposite its name in Schedule B bears to the aggregate principal amount of the Series A Notes which all the non-defaulting Initial Purchasers, as the case may be, have agreed to purchase, or in such other proportion as you may specify, to purchase the Series A Notes which such defaulting Initial Purchaser or Initial Purchasers, as the case may be, agreed but failed or refused to purchase on such date; provided that in no event shall the aggregate principal amount of the Series A Notes which any Initial Purchaser has agreed to purchase pursuant to Section 2 hereof be increased pursuant to this Section 10 by an amount in excess of one-ninth of such principal amount of the Series A Notes without the written consent of such Initial Purchaser. If on the Closing Date any Initial Purchaser or Initial Purchasers shall fail or refuse to purchase the Series A Notes and the aggregate principal amount of the Series A Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of the Series A Notes to be purchased by all Initial Purchasers and arrangements satisfactory to the Initial Purchasers, the Company and Hovnanian for purchase of such the Series A Notes are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Initial Purchaser, the Company and Hovnanian. In any such case which does not result in termination of this Agreement, either you, the Company or Hovnanian shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Memorandum or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Initial Purchaser from liability in respect of any default of any such Initial Purchaser under this Agreement.

SECTION 11. Miscellaneous. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (i) if to the Company or Hovnanian, to K. Hovnanian Enterprises, Inc., 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701 and (ii) if to the Initial Purchaser, c/o Donaldson, Lufkin & Jenrette Securities Corporation, 277 Park Avenue, New York, New York 10172, Attention: Syndicate Department, or in any case to such other address as the person to be notified may have requested in writing.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Company, Hovnanian and the several Initial Purchasers set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Series A Notes, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any Initial Purchaser, the officers or directors of any Initial Purchaser, any person controlling any Initial Purchaser, the Company

or Hovnanian, the officers or directors of the Company or Hovnanian or any person controlling the Company or Hovnanian, (ii) acceptance of the Series A Notes and payment for them hereunder and (iii) termination of this Agreement.

If for any reason the Series A Notes are not delivered by or on behalf of the Company as provided herein (other than as a result of any termination of this Agreement pursuant to Section 10), the Company and Hovnanian, jointly and severally, agree to reimburse the several Initial Purchasers for all out-of-pocket expenses (including the fees and disbursements of counsel) incurred by them. Notwithstanding any termination of this Agreement, the Company and Hovnanian, jointly and severally, shall be liable for all expenses which they have agreed to pay pursuant to Section 5(h) hereof. The Company and Hovnanian, jointly and severally, also agree to reimburse the several Initial Purchasers, their directors and officers and any persons controlling any of the Initial Purchasers for any and all fees and expenses (including, without limitation, the fees disbursements of counsel) incurred by them in connection with enforcing their rights hereunder (including, without limitation, their rights under Section 8 hereof).

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, Hovnanian, the Initial Purchasers, the Initial Purchasers' directors and officers, any controlling persons referred to herein, the Company's and Hovnanian's directors and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include a purchaser of any of the Series A Notes from any of the several Initial Purchasers merely because of such purchase.

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

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the agreement between the Company, Hovnanian and the several Initial Purchasers.

Very truly yours,

K. HOVNANIAN ENTERPRISES, INC.

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By: J. Larry Sorsby  
Title:

HOVNANIAN ENTERPRISES, INC.

As Guarantor

---

By: J. Larry Sorsby  
Title:

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

Acting severally on behalf of  
themselves and the several  
Initial Purchasers named in  
Schedule B hereto

By: DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

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By:  
Title:

SALOMON SMITH BARNEY INC.

---

By:  
Title:

PNC CAPITAL MARKETS, INC.

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By:  
Title:

SCHEDULE A

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GUARANTORS

HOVNIANIAN ENTERPRISES, INC.  
K. HOVNIANIAN AT HOPEWELL ILL, INC.  
RECREATIONAL DEVELOPMENT CORP., INC.  
PINE BROOK COMPANY, INC.  
K. HOVNIANIAN AT BEDMINSTER, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT ATLANTIC CITY, INC.  
HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY, INC.  
MONTEGO BAY I ACQUISITION CORP., INC.  
PIKE UTILITIES, INC.  
ARROW PROPERTIES, INC.  
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.  
HOVNIANIAN TEXAS, INC.  
LANDARAMA, INC.  
TROPICAL SERVICE BUILDERS, INC.  
HOVNIANIAN PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
M & M INVESTMENTS, L.P.  
MATZEL & MUMFORD OF DELAWARE, INC.  
PARK VILLAGE REALTY, INC.  
GOODMAN FAMILY OF BUILDERS, L.P.  
REFLECTIONS OF YOU INTERIORS, INC.  
HEXTER FAIR LAND TITLE COMPANY I, INC.  
K. HOVNIANIAN AT MAHWAH VIII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP IV, INC.  
K. HOVNIANIAN AT MONTVILLE, INC.  
HOVNIANIAN OF PALM BEACH, INC.  
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.  
HOVNIANIAN PROPERTIES OF LAKE WORTH, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF HAMILTON, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT WAYNE IV, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
MONTEGO BAY II ACQUISITION CORP., INC.



HOVNIANIAN OF PALM BEACH VII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP II, INC.  
K. HOVNIANIAN ENTERPRISES, INC.  
HOVNIANIAN OF PALM BEACH IX, INC.  
HOVNIANIAN AT TARPON LAKES I, INC.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
KINGS GRANT EVESHAM CORP.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VII, INC.  
K. HOVNIANIAN COMPANIES OF CENTRAL JERSEY, INC.  
K. HOVNIANIAN OF PALM BEACH XI, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT LAWRENCE SQUARE, INC.  
K. HOVNIANIAN AT TARPON LAKES III, INC.  
K. HOVNIANIAN AT HORIZON HEIGHTS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC. K.  
K. HOVNIANIAN AT JERSEY CITY I, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN AT FT. MYERS I, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP II, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT JENSEN BEACH, INC.  
MOLLY PITCHER CONSTRUCTION CO., INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
THE NEW FORTIS CORPORATION  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
DRYER ASSOCIATES, INC.  
K. HOVNIANIAN AT PASCO I, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT MARTIN DOWNS II, INC.  
K. HOVNIANIAN AVIATION, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES, INC.  
K. HOVNIANIAN AT FT. MYERS II, INC.  
K. HOVNIANIAN AT BERNARDS II, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
MINERVA GROUP, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.

K. HOVNIANIAN AT BRIDGEWATER V, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT PEEKSKILL, INC.  
K. HOVNIANIAN AT NEWARK I, INC.  
K. HOVNIANIAN AT CARMEL, INC.  
K. HOVNIANIAN AT EAST WINDSOR I, INC.  
PARTHENON GROUP, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP II, INC.  
K. HOVNIANIAN AT SOMERSET III, INC.  
R.C.K. COMMUNITY MANAGEMENT CO., INC.  
K. HOVNIANIAN AT MONTCLAIR, NJ, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN AT MONTVILLE II, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VII, INC.  
K. HOVNIANIAN AT BRIDGEWATER II, INC.  
K. HOVNIANIAN AT MERRIMACK, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT PASCO II, INC.  
K. HOVNIANIAN AT DELRAY BEACH II, INC.  
K. HOVNIANIAN AT BRANCHBURG I, INC. K.  
K. HOVNIANIAN AT PLAINSBORO II, INC.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.  
K. HOVNIANIAN AT WEST ORANGE, INC.  
EASTERN TITLE AGENCY, INC.  
K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
NEW ENGLAND COMMUNITY MANAGEMENT COMPANY, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MERRIMACK II, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION I  
K. HOVNIANIAN AT LAWRENCE GROVE, INC.  
K. HOVNIANIAN AT CEDAR GROVE I, INC.  
K. HOVNIANIAN AT CEDAR GROVE II, INC. K.  
HOVNIANIAN AT NORTH BRUNSWICK III, INC.

K. HOVNIANIAN AT JERSEY CITY II, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT HALF MOON BAY, INC.  
K. HOVNIANIAN AT JACKSONVILLE II, INC.  
K. HOVNIANIAN AT BRANCHBURG II, INC.  
K. HOVNIANIAN AT EMBASSY LAKES, INC.  
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
JERSEY CITY DANFORTH CSO, INC.  
K. HOVNIANIAN AT EAST WINDSOR II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. III, INC.  
K. HOVNIANIAN AT SOMERSET VIII, INC.  
K. HOVNIANIAN AT READINGTON, INC.  
K. HOVNIANIAN AT HOPEWELL I, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. IV, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. V, INC.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT MAHWAH IV, INC.  
K. HOVNIANIAN AT POMPANO BEACH, INC.  
K. HOVNIANIAN AT JERSEY CITY III, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT BRIDGEWATER IV, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT VALLEYBROOK, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT PLAINSBORO I, INC.  
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.  
WESTERN FINANCIAL SERVICES, INC.  
K. HOVNIANIAN AT WAYNE, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN AT HANOVER, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON, INC.  
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC. EXC, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.

K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN AT FAIRWAY VIEWS, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.  
K. HOVNIANIAN AT CHAPEL TRAIL, INC.  
K. HOVNIANIAN TREASURE COAST, INC. K.  
K. HOVNIANIAN AT UPPER MERION, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MEDFORD I, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SPRING RIDGE, INC.  
K. HOVNIANIAN MARINE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN PROPERTIES OF ROUTE 35, INC.  
STONEBROOK HOMES, INC.  
K. HOVNIANIAN AT WINSTON TRAILS, INC.  
K. HOVNIANIAN AT LAKES OF BOCA RATON, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON II, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON III, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
KHIPE, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.  
K. HOVNIANIAN AT VALLEYBROOK II, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT WINSTON TRAILS II, INC.  
K. HOVNIANIAN FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT PEMBROKE SHORES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.  
GOVERNOR'S ABSTRACT CO., INC.  
K. HOVNIANIAN AT COCONUT CREEK, INC.  
K. HOVNIANIAN AT POLO TRACE, INC.  
FOUNDERS TITLE AGENCY, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT WAYNE II, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN AT TERRAZA, INC.

K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
KHC ACQUISITION, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT BALLANTRAE, INC.  
BALLANTRAE HOME SALES, INC.  
K. HOVNIANIAN COMPANIES AT WILDROSE, INC.  
K. HOVNIANIAN AT GREENBROOK, INC.  
K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RARITAN I, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT SENECA CROSSING, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN FLORIDA REGION, INC.  
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.  
K. HOVNIANIAN AT BERLIN, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT BEDMINSTER II, INC.  
K. HOVNIANIAN AT INVERRARY I, INC.  
K. HOVNIANIAN AT MAHWAH IX, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT LOCUST GROVE I, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT PRESTON, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE VI, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH CENTER DRIVE, INC.  
BALLANTRAE DEVELOPMENT CORP.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN PROPERTIES OF N.B. THEATRE, INC.  
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.

K. HOVNIANIAN AT BURLINGTON II, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT JEFFERSON, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.  
K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.  
K. HOVNIANIAN AT MANALAPAN II, INC.  
K. HOVNIANIAN AT HOPEWELL V, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT THORNBURY, INC.  
K. HOVNIANIAN AT WAYNE VII, INC.  
K. HOVNIANIAN SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN AT SMITHVILLE II, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT CHAPARRAL, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT LOWER SAUGON II, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT P.C. HOMES, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.

K. HOVNIANIAN AT THE GLEN  
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT NORTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN SHORE ACQUISITION, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, L.L.C.  
K. HOVNIANIAN AT MANSFIELD II, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNIANIAN AT MENIFEE, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT LAWRENCE, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT ROLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.

K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
WHI HOLDING CO., INC.



SCHEDULE B  
-----

Initial Purchasers -----	Principal Amount of Series A Notes to be Purchased -----
Donaldson, Lufkin & Jenrette Securities Corporation	\$ 90,000,000
Salomon Smith Barney Inc.	\$ 37,500,000
PNC Capital Markets, Inc.	\$ 22,500,000
	-----
Total	\$150,000,000

EXHIBIT A  
-----

Form of Registration Rights Agreement

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

the Guarantors party hereto  
and

FIRST UNION NATIONAL BANK,  
as Trustee

-----  
Indenture  
Dated as of October 2, 2000

-----  
10 1/2%  
Senior Notes  
Due 2007

=====

CROSS-REFERENCE TABLE/1/

TIA Sections

Indenture Sections

(S) 310 (a) .....	7.10
(S) 310 (b) .....	7.08
(S) 312 .....	10.02
(S) 313 .....	7.06
(S) 314 (a) .....	4.15, 4.16
(S) 314 (c) .....	10.04
(S) 314 (e) .....	10.05
(S) 315 (a) .....	7.01, 7.02
(S) 315 (b) .....	7.02, 7.05
(S) 315 (c) .....	7.01
(S) 315 (d) .....	7.02
(S) 315 (e) .....	5.09
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(S) 316 (b) .....	5.06
(S) 316 (c) .....	10.02
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EXHIBITS

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EXHIBIT C Restricted Legend

EXHIBIT D DTC Legend

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EXHIBIT F Rule 144A Certificate

EXHIBIT G Institutional Accredited Investor Certificate

EXHIBIT H Certificate of Beneficial Ownership

EXHIBIT I Regulation S Temporary Global Note Legend



INDENTURE, dated as of October 2, 2000, between K. HOVNANIAN ENTERPRISES, INC., a New Jersey corporation (the "Issuer", HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the "Company"), each of the Guarantors (as defined hereto) and FIRST UNION NATIONAL BANK, as Trustee.

#### RECITALS

The Company has duly authorized the execution and delivery of the Indenture to provide for the issuance of up to \$150,000,000 aggregate principal amount of the Issuer's 10 1/2% Senior Notes Due 2007, and, if and when issued, any Additional Notes, together with any Exchange Notes issued therefor as provided herein (the "Notes"). All things necessary to make the Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Issuer and authenticated and delivered by the Trustee and duly issued by the Issuer, the valid obligations of the Issuer as hereinafter provided.

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

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

#### THIS INDENTURE WITNESSETH

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

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions.

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

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

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

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

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

"Asset Acquisition" means (a) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (b)

the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

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

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

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

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

(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets that (x) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (y) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,

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

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

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

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

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

"Board of Directors" means the board of directors of the Issuer, or any committee thereof duly authorized to act on its behalf.

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

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

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

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

"Cash Equivalents" means

(a) U.S. dollars;

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

(c) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;

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

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

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

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

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

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

"Change of Control" means

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

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

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

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

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

"Clearstream" means Clearstream Banking, societe anonyme, Luxembourg, formerly Cedelbank.

"Commission" means the Securities and Exchange Commission.

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

"Company" means Hovnanian Enterprises, Inc., or any successor obligor under the Indenture and the Note Guarantees pursuant to Section 4.14.

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

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

(a) income taxes,

(b) Consolidated Interest Expense,

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

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

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

"Consolidated Fixed Charge Coverage Ratio" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for

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

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

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

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

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

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

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

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

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

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

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

(b) except to the extent includable in Consolidated Net Income pursuant to the foregoing clause (a), the net income (or loss) of any Person that



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

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

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

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

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

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

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

"Consolidated Tangible Assets" of the Company as of any date means the total amount of assets of the Company, the Issuer and the Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (a) Intangible Assets and (b) appropriate adjustments on account of

minority interests of other Persons holding equity investments in Restricted Subsidiaries.

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

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

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

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

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

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

"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 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 Morgan Guaranty Trust Company of New York, Brussels Office, or its successors or assigns, as operator of the Euroclear System.

"Event of Default" has the meaning assigned to such term in Section 5.01.

"Exchange Act" means the Securities Exchange Act of 1934.

"Exchange Notes" means the Notes of the Issuer issued pursuant to the Indenture in exchange for, and in an aggregate principal amount equal to, the Initial Notes or any Initial Additional Notes in compliance with the terms of a

Registration Rights Agreement and containing terms substantially identical to the Initial Notes or any Initial Additional Notes (except that (i) such Exchange Notes will be registered under the Securities Act and will not be subject to transfer restrictions or bear the Restricted Legend, and (ii) the provisions relating to Liquidated Damages will be eliminated).

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

"Exchange Offer Registration Statement" means the Exchange Offer Registration Statement as defined in a Registration Rights Agreement.

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

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

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

"Global Note Legend" means the legend set forth in Exhibit I.

"Guarantee" means the guarantee of the Notes by the Company and each Guarantor under the Indenture.

"Guarantors" means (a) initially, each of the Company's Restricted Subsidiaries in existence on the Issue Date, except the Issuer, KHL, Inc. and K. Hovnanian Poland, Inc. and (b) each of the Company's Subsidiaries that executes a supplemental indenture in the form of Exhibit B to the Indenture providing for the guaranty of the payment of the Notes, or any successor obligor under its Note Guaranty pursuant to Section 4.14., in each case unless an until such Guarantor is released from its Note Guaranty pursuant to the Indenture.

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

"Indebtedness" of any Person means, without duplication,

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

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

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

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

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

(iii) in the case of clause (d) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

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

"Initial Additional Notes" means Additional Notes issued in an offering not registered under the Securities Act and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"Initial Notes" means the Notes issued on the Issue Date and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"Initial Purchasers" means the initial purchasers party to a purchase agreement with the Issuer relating to the sale of the Initial Notes by the Issuer.

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

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

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

principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; provided that Interest Expense shall exclude any expense associated with the complete writeoff of financing fees and expenses in connection with the repayment of any Indebtedness.

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

"Interest Payment Date" means each April 1 and October 1 of each year, commencing April 1, 2001.

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

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

"Issue Date" means the date on which the Initial Notes are originally issued under the Indenture.

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

"Liquidated Damages" means liquidated damages owed to the Holders pursuant to a Registration Rights Agreement.

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

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

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

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

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

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



profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, including waste and mechanics' liens.

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

"Notes" has the meaning assigned to such term in the Recitals.

"Offer to Purchase" has the meaning assigned to such term in Section 3.04.

"Officer" means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of the Company.

"Officers' Certificate" means a certificate signed in the name of the Company (i) by the chairman of the Board of Directors, the president or chief executive officer or a vice president and (ii) by the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary.

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

"Original Notes" means the Initial Notes and any Exchange Notes issued in exchange therefor.

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

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

"Permitted Hovnanian Holders" means, collectively, Kevork S. Hovnanian, Ara K. Hovnanian, the members of their immediate families, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or 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 \$250 million principal amount outstanding at any one time;

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

(c) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; provided however, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(d) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

(e) Purchase Money Indebtedness;

(f) Capitalized Lease Obligations;

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

(h) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;

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

(j) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (j), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"Permitted Investment" means

(a) Cash Equivalents;

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

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Indenture;

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

(e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;

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

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

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

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

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

"Permitted Liens" means

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

accounts or money of the Company, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates,

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

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

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

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

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

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

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

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

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

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

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

"Public Equity Offering" means an underwritten public offering of Common Equity of the Company pursuant to an effective registration statement filed under the Securities Act (excluding registration statements filed on Form S-8 or any successor form).

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

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

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

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

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

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

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

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

"Register" has the meaning assigned to such term in Section 2.09.

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

"Registration Rights Agreement" means (i) the Registration Rights Agreement dated on or about the Issue Date between the Company and the Initial Purchasers party thereto with respect to the Initial Notes, and (ii) with respect to any Additional Notes, any registration rights agreements between the Company and the Initial Purchasers party thereto relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes or exchange them for Notes registered under the Securities Act.

"Regular Record Date" for the interest payable on any Interest Payment Date means the March 15 or September 15 (whether or not a Business Day) next preceding such Interest Payment Date.

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

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

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

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

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

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

"Restricted Payment" means any of the following:



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

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

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

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

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

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

"Rule 144A Certificate" means (i) a certificate substantially in the form of Exhibit F hereto or (ii) a written certification addressed to the Issuer and the Trustee to the effect that the Person making such certification (x) is acquiring such Note (or beneficial interest) for its own account or one or more accounts with respect to which it exercises sole investment discretion and that it and each such account is a qualified institutional buyer within the meaning of Rule 144A, (y) is aware that the transfer to it or exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) acknowledges that it has received such information regarding the Issuer as it has requested pursuant to Rule 144A(d)(4) or has determined not to request such information.

"Rule 144A Global Note" means a Global Note that bears the Restricted Legend representing Notes issued and sold pursuant to Rule 144A.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"Securities Act" means the Securities Act of 1933.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in a Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary of the Company that would constitute a "significant subsidiary" as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the Securities Act, as such regulation is in effect on the date of the Indenture.

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

"Trustee" means the party named as such in the first paragraph of the Indenture or any successor trustee under the Indenture pursuant to Article 7.

"Trust Indenture Act" means the Trust Indenture Act of 1939.

"U.S. Government Obligations" means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

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

K. Hovnanian Mortgage, Inc., Hovnanian Financial Services I, Inc.,  
Hovnanian Financial Services II, Inc., Hovnanian Financial Services III, Inc.  
and Hovnanian Financial Services IV, Inc.

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

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

"Weighted Average Life to Maturity" means, when applied to any Indebtedness or portion thereof at any date, the number of years obtained by dividing

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

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

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

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

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

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

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

## ARTICLE 2 THE NOTES

Section 2.01. Form, Dating and Denominations; Legends. The Notes and the Trustee's certificate of authentication will be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Notes annexed as Exhibit A constitute, and are hereby expressly made, a part of the Indenture. The Notes may have notations, legends or endorsements required by law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note will be dated the date of its authentication. The Notes will be issuable in denominations of \$1,000 in principal amount and any multiple of \$1,000 in excess thereof.

(a) (i) Except as otherwise provided in paragraph (c), Section 2.10(b)(iii), (b)(v), or (c) or Section 2.09(b)(iv), each Initial Note or Initial

Additional Note (other than a Permanent Regulation S Note) will bear the Restricted Legend.

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

(iii) Each Regulation S Temporary Global Note will bear the Regulation S Temporary Global Note Legend.

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

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

(vi) Exchange Notes will be issued, subject to Section 2.09(b), in the form of one or more Global Notes.

(b) (i) If the Issuer determines (upon the advice of counsel and such other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision) and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, or

(ii) after an Initial Note or any Initial Additional Note is

(A) sold pursuant to an effective registration statement under the Securities Act, pursuant to the Registration Rights Agreement or otherwise, or

(B) is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer

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

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

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

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

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

(i) Initial Notes for original issue in the aggregate principal amount not to exceed \$150,000,000,

(ii) Initial Additional Notes from time to time for original issue in aggregate principal amounts up to \$50,000,000 specified by the Issuer, and

(iii) Exchange Notes from time to time for issue in exchange for a like principal amount of Initial Notes or Initial Additional Notes

after the following conditions have been met:

(A) Receipt by the Trustee of an Officers' Certificate specifying

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

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

(3) in the case of Initial Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,

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

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

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

(C) In the case of Exchange Notes, effectiveness of an Exchange Offer Registration Statement and Consummation (as defined in the Registration Rights Agreement) of the exchange offer thereunder (and receipt by the Trustee of an Officers' Certificate to that effect). Initial Notes or Initial Additional Notes exchanged for Exchange Notes will be cancelled by the Trustee.

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

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

Section 2.04. Replacement Notes. If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully

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

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

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

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a bona fide purchaser; and

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

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

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



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

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

Section 2.08. CUSIP and CINS Numbers. The Issuer in issuing the Notes may use "CUSIP" and "CINS" numbers, and the Trustee will use CUSIP numbers or CINS numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer will promptly notify the Trustee of any change in the CUSIP or CINS numbers.

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

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

(ii) Each Global Note will be delivered to the Trustee as custodian for the Depository. Transfers of a Global Note (but not a beneficial interest therein) will be limited to transfers thereof in whole, but not in part, to the Depository, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself

or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section and Section 2.10.

(iii) Agent Members will have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depository or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under the Indenture or the Notes, and nothing herein will impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depository notifies the Issuer that it is unwilling or unable to continue as Depository for a Global Note and a successor depository is not appointed by the Issuer within 90 days of the notice or (y) an Event of Default has occurred and is continuing and the Trustee has received a request from the Depository, the Trustee will promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depository, and thereupon the Global Note will be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor will not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor will bear the Restricted Legend, provided that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

(d) A Holder may transfer a Note (or a beneficial interest therein) to another Person or exchange a Note (or a beneficial interest therein) for another Note or Notes of any authorized denomination by presenting to the Trustee a written request therefor stating the name of the proposed transferee or requesting such an exchange,

accompanied by any certification, opinion or other document required by Section 2.10. The Trustee will promptly register any transfer or exchange that meets the requirements of this Section by noting the same in the register maintained by the Trustee for the purpose; provided that

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

(ii) the Trustee will not be required (iii) 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, (iv) 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 (v) if a redemption or a purchase pursuant to an Offer to Purchase is to occur after a Regular Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Regular Record Date and before the date of redemption or purchase.<sup>27</sup> Prior to the registration of any transfer, the Issuer, the Trustee and their agents will treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and will not be affected by notice to the contrary.

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

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

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

restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

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

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

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

Section 2.10. Restrictions on Transfer and Exchange. (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depository. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

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

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

(i) No certification is required.

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

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

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate.

(v) Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S Global Note, no certification is required and the Trustee will deliver a Certificated Note that does not bear the Restricted Legend.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein)

(i) after such Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision); provided that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer may require from any Person requesting a transfer or exchange in reliance upon this clause (i) an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate; or

(ii) (A) sold pursuant to an effective registration statement, pursuant to the Registration Rights Agreement or otherwise or (B) which is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer.

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

(d) The Trustee will retain copies of all certificates, opinions and other documents received in connection with the transfer or exchange of a Note (or a beneficial interest therein), and the Issuer will have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee.

Section 2.11. Regulation S Temporary Global Notes. (a) Each Note originally sold by the Initial Purchasers in reliance upon Regulation S will be evidenced by one or more Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

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

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

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

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

### ARTICLE 3 REDEMPTION; OFFER TO PURCHASE

Section 3.01. Optional Redemption. At any time and from time to time the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the sum of (i) 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the redemption date plus (ii) the Make-Whole Amount (as defined below), if any.

The term "Make-Whole Amount" shall mean, in connection with any optional redemption of any Note, the excess, if any, of (i) 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 Reinvestment Rate (determined on the business day preceding the date of such redemption) from the respective dates on which such principal and interest would have been payable if such payment had not been made, over (ii) the aggregate principal amount of the Notes being redeemed.

The term "Reinvestment Rate" shall mean 0.50% (one-half of one percent) plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury

Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the maturity of the principal being prepaid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment 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. For the purpose of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

The term "Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which established yields on actively traded U.S. government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination under the Indenture, then such other reasonably comparable index which shall be designated by the Issuer.

The Issuer shall calculate the Make-Whole Amount as set forth in this Section 3.01 and provide amount of the Make-Whole Amount to the Trustee in the Officer's Certificate required pursuant to Section 3.03.

Section 3.02. Redemption with Proceeds of Public Equity Offering. At any time and from time to time prior to October 1, 2003, the Issuer may redeem Notes with the net cash proceeds received by the Company from any Public Equity Offering at a redemption price equal to 110.50% of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes offered on the Issue Date, provided that

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

(b) not less than \$97,500,000 principal amount of the Notes remains outstanding immediately thereafter.

Section 3.03. Method and Effect of Redemption. (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers' Certificate at least 60 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Officers' Certificate must also specify a record date not less than 15 days after the date of the notice of redemption is given to the Trustee, and the Trustee will select the Notes to be redeemed pro rata, or as nearly a pro rata basis as is practicable (subject to the



procedures of DTC), unless such method is otherwise prohibited, in which case, by lot or by any other method the Trustee in its sole discretion deems fair and appropriate, in denominations of \$1,000 principal amount and multiples thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be sent by the Issuer or at the Issuer's request, by the Trustee in the name and at the expense of the Issuer, to Holders whose Notes are to be redeemed at least 30 days but not more than 60 days before the redemption date.

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

(i) the redemption date;

(ii) the redemption price, including the portion thereof representing any accrued interest or Liquidated Damages and any Make-Whole Amount;

(iii) the place or places where Notes are to be surrendered for redemption;

(iv) Notes called for redemption must be so surrendered in order to collect the redemption price;

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

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

(vii) if any Note contains a CUSIP or CINS number, no representation is being made as to the correctness of the CUSIP or CINS 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 Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer will be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

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

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

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

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

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

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

(A) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the Company,

(B) a description of material developments in the Company's business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate pro forma financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

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

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

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

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

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

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

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

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

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

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

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

#### ARTICLE 4

##### COVENANTS

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

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

principal or interest will be considered paid on the due date only if paid to the Holders.

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

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

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

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

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

Section 4.04. Payment of Taxes and Other Claims. The Company will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Section 4.05. Maintenance of Properties and Insurance. (a) The Company will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; provided that nothing in this Section prevents the Company or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

(b) The Company will provide or cause to be provided, for itself and its Restricted Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which the Company and its Restricted Subsidiaries are then conducting business.

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

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

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,

- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes, and
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Indenture.

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

(i) may classify such item of Indebtedness under and comply with either of such paragraphs (or any of such definitions), as applicable,

(ii) may classify and divide such item of Indebtedness into more than one of such paragraphs (or definitions), as applicable, and

(iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

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

Section 4.07. Limitation on Restricted Payments. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

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

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

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:

(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), plus

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, plus

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), plus

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after May 4, 1999, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value



and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, plus

(E) \$17 million, minus

(F) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (iii) of paragraph (b) below) made after February 1, 1999 through May 4, 1999.

(b) Clauses (ii) and (iii) of paragraph (a) will not prohibit:

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

(ii) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and

(iii) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999; provided, however that each Restricted Payment described in clauses (i) and (ii) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of the immediately preceding paragraph.

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

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

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

Section 4.08. Limitation on Liens. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

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

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

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

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

except for

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

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

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

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

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

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

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

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

(ix) encumbrances or restrictions existing under or by reason of the Indenture or the Notes,

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

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

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

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

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

(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

Section 4.10. Limitations on Dispositions of Assets. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless (x) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities. The amount of (i) any Indebtedness (other than any Indebtedness subordinated to the Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition and (ii) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (y) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries. The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used

by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (b) to the extent not so used, be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a pro rata basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued interest and Liquidated Damages, if any, to the date of repurchase or repayment. Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Notes in accordance with clause (b) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Offer to Purchase shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition together with the sum of all non-cash consideration received in connection with all prior Asset Disposition that has not yet been converted into cash, does not exceed 5% of Consolidated Tangible Assets; provided however, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

Section 4.11. Guarantees by Restricted Subsidiaries. Each existing Restricted Subsidiary (other than KHL, Inc. and K. Hovnanian Poland, Inc.) will provide a Note Guaranty. The Company will be permitted to cause any Unrestricted Subsidiary to provide a Note Guaranty. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the date of the Indenture, the new Restricted Subsidiary must provide a Note Guaranty.

A Restricted Subsidiary required to provide a Note Guaranty shall execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the Restricted Subsidiary and constitutes a valid and binding obligation of the Restricted Subsidiary, enforceable against the Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.12. Repurchase of Notes upon a Change of Control. (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the

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

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

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

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

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

(i) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained

the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

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

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

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

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

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof,

(iv) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (provided, however, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Indenture)),

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

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

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

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

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

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

(iii) in the case of a transaction involving the Company, immediately after giving effect to such transaction and the use of any net proceeds therefrom, on a pro forma basis, the Consolidated Net Worth of the Company or the Successor as the case may be, would be at least equal to the Consolidated Net Worth of the Company immediately prior to such transaction (exclusive of any adjustments to Consolidated Net Worth attributable to transaction costs) less any amount treated as a Restricted Payment in connection with such transaction in accordance with the Indenture, and



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

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

Section 4.15. Reports to Holders of Notes. (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and mail such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of 57 the Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) All obligors on the Notes will comply with Section 314(a) of the Trust Indenture Act.

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

Section 4.16. Reports to Trustee. (a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the

Company's independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof

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

(c) The Company will notify the Trustee when any Notes are listed on any national securities exchange and of any delisting.

#### ARTICLE 5

#### REMEDIES

Section 5.01. Events of Default. (a) "Event of Default" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on, or Liquidated Damages with respect to, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantee or the Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Sections 4.12 and 4.14 hereof, which will constitute Events of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such

Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

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

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

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

(A) is for relief against the Company or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of the Company or any Restricted Subsidiary that is a Significant Subsidiary,

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

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

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

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (vii) or (viii) above), shall have occurred and be continuing under the Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (vii) or (viii) above occurs, such an amount 60 will ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to the Trustee by the Issuer or any Holder.

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

Section 5.03. Waiver of Defaults by Majority of Holders. The Holders of a majority in principal amount of the Notes then outstanding by written notice to the Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest or Liquidated Damages) on the Notes under the Indenture. Holders of a majority in principal amount of the then outstanding Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest or Liquidated Damages, if any, on the Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) have been cured or waived.

Section 5.04. Direction of Proceedings. The Holders may not enforce the provisions of the Indenture, the Notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of any trust or power, provided, however, that such direction does not conflict with the terms of the Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest or Liquidated Damages, if any, on the Notes or that resulted from the failure to comply with Section 4.12 hereof) if the Trustee determines that withholding such notice is in the Holders' interest or would involve the Trustee in personal liability.

Section 5.05. Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to this Article with respect to Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 except as a result of its negligence or bad faith;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest or Liquidated Damages, if any, on the Notes with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest and Liquidated Damages, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

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

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

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

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

Section 5.06. Proceedings by Noteholders. No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of

any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note to receive payment of the principal of, premium, if any, and interest and Liquidated Damages, if any, on such Note, on or after the maturity thereof, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

Section 5.07. Proceedings by Trustee. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 5.08. Remedies Cumulative and Continuing. All powers and remedies given by this Article Five to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.06, every power and remedy given by this Article 5 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 5.09. Undertaking to Pay Costs. All parties to this Indenture agree and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in

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

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

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

## ARTICLE 6

### GUARANTEE

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



promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity regularity or enforceability of the Notes, this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 6, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 6.01 shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed agent.

SECTION 6.02. Obligations of each Guarantor Unconditional. Nothing contained in this Article 6 or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, which are absolute and unconditional, to pay to the Holders the principal of and interest and Liquidated Damages, if any, on the Notes as and when the same shall become due and payable in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of the Issuer, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 6, the Trustee, subject to the provisions of Article 7, and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders, for the purpose of ascertaining the

persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

SECTION 6.03. Release of a Guarantor. If all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of the Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Indenture without any further action on the part of the Trustee or any Holder of the Notes.

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

SECTION 6.04. Execution and Delivery of Guaranty. The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) evidences the Note Guaranty of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Note Guaranty set forth in the Indenture on behalf of each Guarantor.

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

SECTION 6.06. Article 6 Not to Prevent Events of Default. The failure to make a payment on account of principal or interest or Liquidated Damages, if any, on the Notes by reason of any provision in this Article 6 shall not be construed as preventing the occurrence of any Event of Default under Section 5.01.

SECTION 6.07. Waiver by the Guarantors. Each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 6.

SECTION 6.08. Subrogation and Contribution. Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment will be subrogated to the rights of the payee against the Issuer with respect to such obligation, provided that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

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

#### ARTICLE 7 THE TRUSTEE

SECTION 7.01. General. (a) The duties and responsibilities of the Trustee are as provided by the Trust Indenture Act and as set forth herein. Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing,

the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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

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

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 10.05 and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on the certificate or opinion.

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

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

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

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

(g) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

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

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

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

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

SECTION 7.05. Notice of Default. If any Default occurs and is continuing and is known to the Trustee, the Trustee will send notice of the Default to each Holder within 90 days after it occurs, unless the Default has been cured; provided that, except in the case of a default in the payment of the principal of or interest or Liquidated Damages, if any, on any Note, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the Trustee in good faith determines that withholding

the notice is in the interest of the Holders. Notice to Holders under this Section will be given in the manner and to the extent provided in Trust Indenture Act Section 313(c).

SECTION 7.06. Reports by Trustee to Holders. Within 60 days after each May 15, beginning with May 15, 2001, the Trustee will mail to each Holder, as provided in Trust Indenture Act Section 313(c), a brief report dated as of such May 15, if required by Trust Indenture Act Section 313(a).

SECTION 7.07. Compensation and Indemnity. (a) The Company will pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a Trustee of an express trust. The Company will reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company will indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture and its duties under the Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under the Indenture and the Notes.

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

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

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

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

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

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

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Company. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

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

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

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

SECTION 7.09. Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the

resulting, surviving or transferee corporation or national banking association without any further act will be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in the Indenture.

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

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

#### ARTICLE 8 DEFEASANCE AND DISCHARGE

SECTION 8.01. Discharge of Issuer's Obligations. (a) Subject to paragraph (b), the Issuer's obligations under the Notes and the Indenture, and each Guarantor's obligations under its Note Guaranty, will terminate if:

(1) all Notes previously authenticated and delivered (other than (i) destroyed, lost or stolen Notes that have been replaced or (b) Notes that are paid pursuant to Section 4.01 or (c) Notes for whose payment money or U.S. Government Obligations have been held in trust and then repaid to the Issuer pursuant to Section 8.05) have been delivered to the Trustee for cancellation and the Issuer has paid all sums payable by it hereunder; or

(2) (A) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption,

(B) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder,



(C) no Default has occurred and is continuing on the date of the deposit,

(D) the deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and

(E) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of the Indenture have been complied with.

(b) After satisfying the conditions in clause (1), only the Issuer's obligations under Section 7.07 will survive. After satisfying the conditions in clause (2), only the Issuer's obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06 will survive. In either case, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture other than the surviving obligations.

SECTION 8.02. Legal Defeasance. On the 91st day following the deposit referred to in clause (1), the Issuer will be deemed to have paid and will be discharged from its obligations in respect of the Notes and the Indenture, other than its obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06, and each Guarantor's obligations under its Note Guaranty will terminate, provided the following conditions have been satisfied:

(1) The Issuer has irrevocably deposited in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate thereof delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, provided that any redemption before maturity has been irrevocably provided for under arrangements satisfactory to the Trustee.

(2) The deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound.

(3) The Issuer has delivered to the Trustee either (x) a ruling received from the Internal Revenue Service to the effect that the Holders

will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case or (y) an Opinion of Counsel, based on a change in law after the date of the Indenture, to the same effect as the ruling described in clause (x).

(4) The Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance have been complied with.

Prior to the end of the 91-day period, none of the Issuer's obligations under the Indenture will be discharged. Thereafter, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture except for the surviving obligations specified above.

SECTION 8.03. Covenant Defeasance. After the 91st day following the deposit referred to in clause (1), the Issuer's obligations set forth in Sections 4.06 through 4.13, inclusive and clauses (iii) and (iv) of Section 4.14, and each Guarantor's obligations under its Note Guaranty, will terminate, and clauses (iii), (iv), (v), (vi) and (ix) of Section 5.01 will no longer constitute Events of Default, provided the following conditions have been satisfied:

(1) The Issuer has complied with clauses (1), (2) and (4) of Section 8.02; and

(2) the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case.

Except as specifically stated above, none of the Issuer's obligations under the Indenture will be discharged.

SECTION 8.04. Application of Trust Money. Subject to Section 8.05, the Trustee will hold in trust the money or U.S. Government Obligations deposited with it pursuant to Section 8.01, 8.02 or 8.03, and apply the deposited money and the proceeds from deposited U.S. Government Obligations to the payment of principal of and premium, interest and Liquidated Damages, if any, on the Notes in accordance with the Notes and the Indenture. Such money and U.S.

Government Obligations need not be segregated from other funds except to the extent required by law.

Section 8.05. Repayment to Issuer. Subject to Sections 7.07, 8.01, 8.02 and 8.03, the Trustee will promptly pay to the Issuer upon request any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee will pay to the Issuer upon written request any money deposited with or paid to the Trustee for the payment of the principal of, premium, interest or Liquidated Damages, if any, with respect to the Notes and not applied but remaining unclaimed for two years after the date upon which such After payment to the Company, Holders entitled to such principal, premium, interest or Liquidated Damages, shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee. Thereafter, the Holder of the Notes must look solely to the Issuer for any payment such Holder may be entitled to collect, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, and all liability of the Trustee with respect to such money shall thereupon cease.

Section 8.06. Reinstatement. If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Section 8.01, 8.02 or 8.03 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under the Indenture and the Notes will be reinstated as though no such deposit in trust had been made. If the Issuer makes any payment of principal of or interest or Liquidated Damages, if any, on any Notes because of the reinstatement of its obligations, it will be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust.

Section 8.07. Indemnity for U.S. Government Obligations. The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Sections 8.01, 8.02 or 8.03.

ARTICLE 9  
Amendments, Supplements and Waivers

Section 9.01. Amendments Without Consent of Holders. The Company, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes without notice to or the consent of any Noteholder

(a) to cure any ambiguity, defect or inconsistency in the Indenture or the Notes that does not adversely affect the interests of the Holders;

(b) to comply with Section 4.14;

(c) to comply with any requirements of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act;

(d) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee;

(e) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(f) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;

(g) to provide for or confirm the issuance of Additional Notes; or

(h) to make any other change that does not adversely affect the legal rights of any Holder.

Section 9.02. Amendments With Consent of Holders. (a) Except as otherwise provided in Sections 5.01, 5.03 and 5.06 or paragraph (b), the Company, the Issuer, the Guarantors and the Trustee may amend the Indenture and the Notes with the written consent of the Holders of a majority in principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of the Indenture or the Notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each Holder affected, an amendment or waiver may not

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of or change the time for payment of any interest, including default interest, on any Note,

(iii) reduce principal of or change the fixed maturity of any Note or alter the provisions (including related definitions) with respect to redemptions described under Section 3.01 or 3.02 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Section 5.03 or 5.06,

(vii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of or interest or Liquidated Damages on the Notes.

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

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

Section 9.03. Effect of Consent. (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or

waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

Section 9.04. Trustee's Rights and Obligations. The Trustee is entitled to receive, and will be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by the Indenture. If the Trustee has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under the Indenture.

Section 9.05. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 9.06. Payments for Consents. Neither the Issuer, the Company nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

ARTICLE 10  
MISCELLANEOUS

Section 10.01. Trust Indenture Act of 1939. The Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act.

Section 10.02. Noteholder Communications; Noteholder Actions. (a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the Trust Indenture Act, and the Company and the Trustee shall comply with the requirements of Trust Indenture Act Section 312(a). Neither the Company, the Issuer nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "act") may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act will be valid or effective for more than 90 days after the record date.

Section 10.03. Notices. (a) Any notice or communication to the Issuer or the Company will be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail, or (iii) when sent by facsimile transmission, with transmission confirmed. Notices or communications to a Guarantor will be deemed given if given to the Issuer. Any notice to the Trustee will be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer:

K. Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 007701  
732-747-7159

if to the Trustee:

First Union National Bank  
21 South Street  
Morristown, NJ 07960  
ATTN: Corporate Trust Administration  
(K. Hovnanian Enterprises, Inc. Senior Notes due 2007)  
973-682-4531

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

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, will be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder will not affect its sufficiency with respect to other Holders.

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



Section 10.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Issuer or the Company to the Trustee to take any action under the Indenture, the Issuer or the Company will furnish to the Trustee:

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

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

Section 10.05. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

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

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, provided that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Section 10.06. Payment Date Other Than a Business Day. If any payment with respect to a payment of any principal of, premium, if any, or interest or Liquidated Damages, if any, on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

Section 10.07. Governing Law. The Indenture, including any Note Guaranties, and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 10.08. No Adverse Interpretation of Other Agreements. The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret the Indenture.

Section 10.09. Successors. All agreements of the Issuer, the Company or any Guarantor in the Indenture and the Notes will bind its successors. All agreements of the Trustee in the Indenture will bind its successor.

Section 10.10. Duplicate Originals. The parties may sign any number of copies of the Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 10.11. Separability. In case any provision in the Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 10.12. Table of Contents and Headings. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of the Indenture have been inserted for convenience of reference only, are not to be considered a part of the Indenture and in no way modify or restrict any of the terms and provisions of the Indenture.

Section 10.13. No Liability of Directors, Officers, Employees, Incorporators and Stockholders. No director, officer, employee, incorporator, member or stockholder of the Issuer, the Company or any Guarantor, as such, will have any liability for any obligations of the Issuer, the Company or such Guarantor under the Notes, any Note Guaranty or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

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: \_\_\_\_\_  
Name:  
Title:

HOVNIANIAN ENTERPRISES, INC.  
as the Company

By: \_\_\_\_\_  
Name:  
Title:

GUARANTORS:

HOVNIANIAN ENTERPRISES, INC.  
K. HOVNIANIAN AT HOPEWELL ILL, INC.  
RECREATIONAL DEVELOPMENT CORP., INC.  
PINE BROOK COMPANY, INC.  
K. HOVNIANIAN AT BEDMINSTER, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT ATLANTIC CITY, INC.  
HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY, INC.  
MONTEGO BAY I ACQUISITION CORP., INC.  
PIKE UTILITIES, INC.  
ARROW PROPERTIES, INC.  
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.  
HOVNIANIAN TEXAS, INC.  
LANDARAMA, INC.

TROPICAL SERVICE BUILDERS, INC.  
HOVNIANIAN PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH  
BRUNSWICK V, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
M & M INVESTMENTS, L.P.  
MATZEL & MUMFORD OF DELAWARE, INC.  
PARK VILLAGE REALTY, INC.  
GOODMAN FAMILY OF BUILDERS, L.P.  
REFLECTIONS OF YOU INTERIORS, INC.  
HEXTER FAIR LAND TITLE COMPANY I, INC.  
K. HOVNIANIAN AT MAHWAH VIII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP IV, INC.  
K. HOVNIANIAN AT MONTVILLE, INC.  
HOVNIANIAN OF PALM BEACH, INC.  
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.  
HOVNIANIAN PROPERTIES OF LAKE WORTH, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF HAMILTON, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT WAYNE IV, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
MONTEGO BAY II ACQUISITION CORP., INC.  
HOVNIANIAN OF PALM BEACH VII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP II, INC.  
K. HOVNIANIAN ENTERPRISES, INC.  
HOVNIANIAN OF PALM BEACH IX, INC.  
HOVNIANIAN AT TARPON LAKES I, INC.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
KINGS GRANT EVESHAM CORP.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VII, INC.  
K. HOVNIANIAN COMPANIES OF CENTRAL JERSEY, INC.  
HOVNIANIAN OF PALM BEACH XI, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT LAWRENCE SQUARE, INC.  
K. HOVNIANIAN AT TARPON LAKES III, INC.  
K. HOVNIANIAN AT HORIZON HEIGHTS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.

K. HOVNIANIAN AT JERSEY CITY I, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF  
NEW JERSEY, INC.  
K. HOVNIANIAN AT FT. MYERS I, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP II, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT JENSEN BEACH, INC.  
MOLLY PITCHER CONSTRUCTION CO., INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
THE NEW FORTIS CORPORATION  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
DRYER ASSOCIATES, INC.  
K. HOVNIANIAN AT PASCO I, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT MARTIN DOWNS II, INC.  
K. HOVNIANIAN AVIATION, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES, INC.  
K. HOVNIANIAN AT FT. MYERS II, INC.  
K. HOVNIANIAN AT BERNARDS II, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
MINERVA GROUP, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.  
K. HOVNIANIAN AT BRIDGEWATER V, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT PEEKSKILL, INC.  
K. HOVNIANIAN AT NEWARK I, INC.  
K. HOVNIANIAN AT CARMEL, INC.  
K. HOVNIANIAN AT EAST WINDSOR I, INC.  
PARTHENON GROUP, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP II, INC.  
K. HOVNIANIAN AT SOMERSET III, INC.  
R.C.K. COMMUNITY MANAGEMENT CO., INC.  
K. HOVNIANIAN AT MONTCLAIR, NJ, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.

K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN AT MONTVILLE II, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VII, INC.  
K. HOVNIANIAN AT BRIDGEWATER II, INC.  
K. HOVNIANIAN AT MERRIMACK, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT PASCO II, INC.  
K. HOVNIANIAN AT DELRAY BEACH II, INC.  
K. HOVNIANIAN AT BRANCHBURG I, INC.  
K. HOVNIANIAN AT PLAINSBORO II, INC.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.  
K. HOVNIANIAN AT WEST ORANGE, INC.  
EASTERN TITLE AGENCY, INC.  
K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
NEW ENGLAND COMMUNITY MANAGEMENT COMPANY, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MERRIMACK II, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL  
CORPORATION I  
K. HOVNIANIAN AT LAWRENCE GROVE, INC.  
K. HOVNIANIAN AT CEDAR GROVE I, INC.  
K. HOVNIANIAN AT CEDAR GROVE II, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT JERSEY CITY II, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT HALF MOON BAY, INC.  
K. HOVNIANIAN AT JACKSONVILLE II, INC.  
K. HOVNIANIAN AT BRANCHBURG II, INC.  
K. HOVNIANIAN AT EMBASSY LAKES, INC.  
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.

K. HOVNIANIAN AT LOWER SAUCON, INC.  
JERSEY CITY DANFORTH CSO, INC.  
K. HOVNIANIAN AT EAST WINDSOR II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. III, INC.  
K. HOVNIANIAN AT SOMERSET VIII, INC.  
K. HOVNIANIAN AT READINGTON, INC.  
K. HOVNIANIAN AT HOPEWELL I, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. IV, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. V, INC.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT MAHWAH IV, INC.  
K. HOVNIANIAN AT POMPANO BEACH, INC.  
K. HOVNIANIAN AT JERSEY CITY III, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN  
RENEWAL CORPORATION, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT BRIDGEWATER IV, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT VALLEYBROOK, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT PLAINSBORO I, INC.  
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.  
WESTERN FINANCIAL SERVICES, INC.  
K. HOVNIANIAN AT WAYNE, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN AT HANOVER, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON, INC.  
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO  
WASHINGTON, INC.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.  
K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN AT FAIRWAY VIEWS, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.  
K. HOVNIANIAN AT CHAPEL TRAIL, INC.  
K. HOVNIANIAN TREASURE COAST, INC.  
K. HOVNIANIAN AT UPPER MERION, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MEDFORD I, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SPRING RIDGE, INC.  
K. HOVNIANIAN MARINE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN PROPERTIES OF ROUTE 35, INC.  
STONEBROOK HOMES, INC.  
K. HOVNIANIAN AT WINSTON TRAILS, INC.  
K. HOVNIANIAN AT LAKES OF BOCA RATON, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON II, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON III, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
KHIPE, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.  
K. HOVNIANIAN AT VALLEYBROOK II, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT WINSTON TRAILS II, INC.  
K. HOVNIANIAN FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT PEMBROKE SHORES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.  
GOVERNOR'S ABSTRACT CO., INC.  
K. HOVNIANIAN AT COCONUT CREEK, INC.  
K. HOVNIANIAN AT POLO TRACE, INC.  
FOUNDERS TITLE AGENCY, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.



K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT WAYNE II, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN AT TERRAZA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
KHC ACQUISITION, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT BALLANTRAE, INC.  
BALLANTRAE HOME SALES, INC.  
K. HOVNIANIAN COMPANIES AT WILDROSE, INC.  
K. HOVNIANIAN AT GREENBROOK, INC.  
K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RARITAN I, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT SENECA CROSSING, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN FLORIDA REGION, INC.  
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.  
K. HOVNIANIAN AT BERLIN, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT BEDMINSTER II, INC.  
K. HOVNIANIAN AT INVERRARY I, INC.  
K. HOVNIANIAN AT MAHWAH IX, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT LOCUST GROVE I, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT PRESTON, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE VI, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH CENTER  
DRIVE, INC.  
BALLANTRAE DEVELOPMENT CORP.  
K. HOVNIANIAN AT LA TROVATA, INC.

K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN PROPERTIES OF N.B. THEATRE, INC.  
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT BURLINGTON II, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT JEFFERSON, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.  
K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.  
K. HOVNIANIAN AT MANALAPAN II, INC.  
K. HOVNIANIAN AT HOPEWELL V, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT THORNBURY, INC.  
K. HOVNIANIAN AT WAYNE VII, INC.  
K. HOVNIANIAN SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN AT SMITHVILLE II, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.

K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT CHAPARRAL, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT LOWER SAUGON II, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT P.C. HOMES, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.  
K. HOVNIANIAN AT THE GLEN  
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT NORTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN SHORE ACQUISITION, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, L.L.C.  
K. HOVNIANIAN AT MANSFIELD II, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNIANIAN AT MENIFEE, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT LAWRENCE, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT ROLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.

K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.  
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
WHI HOLDING CO., INC.

By: \_\_\_\_\_  
Name:  
Title:

FIRST UNION NATIONAL BANK, as Trustee

By: \_\_\_\_\_  
Name:  
Title:

[FACE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

10 1/2% Senior Note Due 2007

[CUSIP] [CINS] \_\_\_\_\_

No. \$ \_\_\_\_\_

K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "Issuer", which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to \_\_\_\_\_, or its registered assigns, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_) on October 1, 2007

Initial Interest Rate: 10 1/2% per annum.

Interest Payment Dates: April 1 and October 1, commencing April 1, 2001.

Regular Record Dates: March 15 and September 15.

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

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

Date: K. HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name:  
Title:

(Form of Trustee's Certificate of Authentication)

This is one of the 10 1/2% Senior Notes Due 2007 described in the Indenture referred to in this Note.

FIRST UNION NATIONAL BANK,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

10 1/2% Senior Note Due 2007

1. Principal and Interest.

The Issuer promises to pay the principal of this Note on October 1, 2007.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 10 1/2% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 15 or September 15 immediately preceding the interest payment date) on each interest payment date, commencing April 1, 2001.

The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated October 2, 2000, between the Issuer, the Guarantors party thereto and the Initial Purchasers named therein (the "Registration Rights Agreement"). In the event that neither the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement) nor the Shelf Registration Statement (as defined in the Registration Rights Agreement) is declared effective on or prior to the date that is 150 days after the Issue Date (the "Effectiveness Deadline"), the Holder shall be entitled to Liquidated Damages as specified in the Registration Rights Agreement until the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective by the Commission. If the Exchange Offer Registration Statement is declared effective but the Exchange Offer is not consummated on or prior to the earlier to occur of 40 Business Days after the date of effectiveness of the Exchange Offer Registration Statement, the Issuer shall be required to pay Liquidated Damages as specified in the Registration Rights Agreement.

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

The Issuer will pay interest on overdue principal, premium, if any, and, to the extent lawful, interest and Liquidated Damages, if any, at a rate per annum that is 1% in excess of 10 1/2%. Interest and Liquidated Damages not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Issuer for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Issuer will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

2. Indentures; Note Guaranty.

This is one of the Notes issued under an Indenture dated as of October 2, 2000 (as amended from time to time, the "Indenture"), among the Issuer, the Guarantors party thereto and First Union National Bank, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes to \$150,000,000, but Additional Notes in an aggregate principal amount of up to \$50,000,000 may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed as set forth in the Indenture.

3. Redemption and Repurchase; Discharge Prior to Redemption or Maturity.

This Note is subject to optional redemption, and may be the subject of an Offer to Purchase, as further described in the Indenture. There is no sinking fund or mandatory redemption applicable to this Note.

If the Issuer deposits with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium and Liquidated Damages, if any, and accrued interest on the Notes to redemption or maturity, the Company may in certain circumstances be discharged from the Indenture and the Notes or may be discharged from certain of its obligations under certain provisions of the Indenture.



4. Registered Form; Denominations; Transfer; Exchange.

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

5. Defaults and Remedies.

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

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Issuer and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency.

7. Authentication.

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

8. Abbreviations.

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

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

GUARANTEE

The undersigned (the "Guarantors") have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the "Guarantee") (i) the due and punctual payment of the principal of and interest on the Notes, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal and interest, if any, on the Notes, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 6 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

No past, present or future stockholder, officer, director, employee or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee by reason of such person's status as stockholder, officer, director, employee or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

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

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

[Guarantors]

By: \_\_\_\_\_  
Title:

[FORM OF TRANSFER NOTICE]

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

Insert Taxpayer Identification No.

---

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

---

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

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attorney to transfer said Note on the books of the Issuer with full power of substitution in the premises.

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

In connection with any transfer of this Note occurring prior to \_\_\_\_\_, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising and further as follows:

Check One

(1) This Note is being transferred to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended and certification in the form of Exhibit F to the Indenture is being furnished herewith.

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

or

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

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Seller

By \_\_\_\_\_

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

Signature Guarantee:/1/ \_\_\_\_\_

By \_\_\_\_\_  
To be executed by an executive officer

\_\_\_\_\_  
/1/Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

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

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

\$ \_\_\_\_\_.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

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

Signature Guarantee: /1/ \_\_\_\_\_

\_\_\_\_\_  
/1/Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF NOTES/1/

The following exchanges of a part of this Global Note for Physical Notes or a part of another Global Note have been made:

Date of Exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee
-----	-----	-----	-----	-----

\_\_\_\_\_  
/1/For Global Notes



SUPPLEMENTAL INDENTURE

dated as of \_\_\_\_\_, \_\_\_\_

among

K. HOVNIANIAN ENTERPRISES, INC.

HOVNIANIAN ENTERPRISES, INC.

The Guarantors Party Hereto

and

FIRST UNION NATIONAL BANK  
as Trustee

---

10 1/2%  
SENIOR Notes due 2007

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), entered into as of \_\_\_\_\_, \_\_\_\_\_, among K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "Issuer"), Hovnanian Enterprises, Inc. (the "Company"), [list each new guarantor and its jurisdiction of incorporation] (each an "Undersigned") and First Union National Bank, as trustee (the "Trustee").

#### RECITALS

WHEREAS, the Issuer, Company, the Guarantors party thereto and the Trustee entered into the Indenture, dated as of October 2, 2000 (the "Indenture"), relating to the Company's 10 1/2% Senior Notes due 2007 (the "Notes");

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

#### AGREEMENT

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

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

SECTION 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 7 thereof.

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

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

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

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

K. HOVNIANIAN ENTERPRISES, INC.,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

HOVNIANIAN ENTERPRISES, INC.,  
as Issuer

By: \_\_\_\_\_  
Name:  
Title:

[GUARANTOR]

By: \_\_\_\_\_  
Name:  
Title:

FIRST UNION NATIONAL BANK,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

## RESTRICTED LEGEND

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

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH 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) UNDER THE SECURITIES ACT) (AN "IAI"),

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

STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION 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.

DTC LEGEND

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

TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

Regulation S Certificate

\_\_\_\_\_, \_\_\_\_

First Union National Bank  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
10 1/2% Senior  
Notes due 2007 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of October 2, 2000 relating to the Notes  
-----

Dear Sirs:

Terms are used in this Certificate as used in Regulation S ("Regulation S") under the Securities Act of 1933, as amended (the "Securities Act"), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE.]

A. This Certificate relates to our proposed transfer of \$\_\_\_\_ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably

believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.
4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.
5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

B. This Certificate relates to our proposed exchange of \$\_\_\_\_ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and we did not prearrange the transaction in the United States.



3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS)  
OR OWNER (FOR EXCHANGES)]

By: \_\_\_\_\_

Name:  
Title:  
Address:

Date: \_\_\_\_\_

Rule 144A Certificate

\_\_\_\_\_/ \_\_\_\_

First Union National Bank  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
10 1/2% Senior  
Notes due 2007 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of October 2, 2000 relating to the Notes  
-----

Ladies and Gentlemen:

TO BE COMPLETED BY PURCHASER IF (1) ABOVE IS CHECKED.

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

- A. Our proposed purchase of \$\_\_\_\_ principal amount of Notes issued under the Indenture.
- B. Our proposed exchange of \$\_\_\_\_ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR  
TRANSFERS) OR OWNER (FOR  
EXCHANGES)]

By: \_\_\_\_\_

Name:

Title:

Address:

Date: \_\_\_\_\_

Institutional Accredited Investor Certificate

First Union National Bank  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
10 1/2% Senior  
Notes due 2007 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of October 2, 2000 relating to the Notes  
-----

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

- A. Our proposed purchase of \$\_\_\_\_ principal amount of Notes issued under the Indenture.
- B. Our proposed purchase of \$\_\_\_\_ principal amount of a beneficial interest in a Global Note
- C. Our proposed exchange of \$\_\_\_\_ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor").
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.
4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; provided that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.
5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.
6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Company, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this note or any beneficial interest herein, except (A) to the company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an IAI that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of this Note (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of less than \$250,000, an opinion of counsel acceptable to the company that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Company) or (G) pursuant to an effective Registration Statement, and in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

Prior to the registration of any transfer in accordance with (f) or (g) above, we acknowledge that the Company reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required

in order to determine that the proposed transfer is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer any Notes acquired by us, except upon presentation of evidence satisfactory to the Company and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to provide to any person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: \_\_\_\_\_  
Name:  
Title:  
Address:

Date: \_\_\_\_\_

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: \_\_\_\_\_

Date: \_\_\_\_\_

Taxpayer ID number: \_\_\_\_\_

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

Certificate of Beneficial Ownership

To: First Union National Bank  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration OR

[Morgan Guaranty Trust Company of New York, Brussels office, or its  
successors or assigns, as operator of the Euroclear System] OR

[Clearstream Banking, societe anonyme]

Re: K. Hovnanian Enterprises, Inc.  
10 1/2% Senior Notes due 2007 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of October 2, 2000 relating to the Notes  
-----

Ladies and Gentlemen:

We are the beneficial owner of \$\_\_\_\_ principal amount of Notes issued under  
the Indenture and represented by a Regulation S Temporary Global Note (as  
defined in the Indenture).

We hereby certify as follows:

[CHECK A OR B AS APPLICABLE.]

- A. We are a non-U.S. person (within the meaning of Regulation S under the  
Securities Act of 1933, as amended).
- B. We are a U.S. person (within the meaning of Regulation S under the  
Securities Act of 1933, as amended) that purchased the Notes in a  
transaction that did not require registration under the Securities Act  
of 1933, as amended.

You and the Company are entitled to rely upon this Certificate and are  
irrevocably authorized to produce this Certificate or a copy hereof to any



interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: \_\_\_\_\_  
Name:  
Title:  
Address:

Date: \_\_\_\_\_

[FORM II]

Certificate of Beneficial Ownership

To: First Union National Bank  
21 South Street  
Morristown, NJ 07960  
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.  
10 1/2% Senior Notes due 2007 (the "Notes")  
Issued under the Indenture (the "Indenture") dated as  
as of October 2, 2000] relating to the Notes  
-----

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("Member Organizations") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, \$\_\_\_\_ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK, Brussels  
office, or its successors or assigns, as  
operator of the Euroclear System]

OR

[CLEARSTREAM BANKING, societe  
anonyme]

By: \_\_\_\_\_  
Name:  
Title:  
Address:

Date: \_\_\_\_\_

EXHIBIT I

THIS NOTE IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR PHYSICAL NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

A/B EXCHANGE  
REGISTRATION RIGHTS AGREEMENT

Dated as of October 2, 2000  
by and among

K. Hovnanian Enterprises, Inc.  
Hovnanian Enterprises, Inc.  
And certain of its Subsidiaries

and

Donaldson, Lufkin & Jenrette Securities Corporation  
Salomon Smith Barney Inc.  
PNC Capital Markets, Inc.

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This Registration Rights Agreement (this "Agreement") is made and entered into as of September \_\_, 2000, by and among K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "Company"), Hovnanian Enterprises, Inc., a Delaware corporation (the "Hovnanian"), and various subsidiary guarantors party hereto (together with Hovnanian, the "Guarantors" and Donaldson, Lufkin & Jenrette Securities Corporation, Salomon Smith Barney Inc., PNC Capital Markets, Inc. (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"), each of whom has agreed to purchase the Company's 10 1/2 % Series A Senior Notes due 2007 (the "Series A Notes") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated September 27, 2000, (the "Purchase Agreement"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A 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 the Indenture, dated October 2, 2000 between the Company, the Guarantors and First Union National Bank, as Trustee, relating to the Series A Notes and the Series B Notes (the "Indenture").

The parties hereby agree as follows:

#### SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Affiliate: As defined in Rule 144 of the Act.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Certificated Securities: Definitive Notes, as defined in the Indenture.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar under the Indenture of Series B Notes in the same aggregate principal amount as the aggregate principal amount of Series 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) and 4(a) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The exchange and issuance by the Company of a principal amount of Series B Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Series A Notes that are tendered by such Holders in connection with such exchange and issuance.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Series A Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act and pursuant to Regulation S under the Act.

Filing Deadline: As defined in Sections 3(a) and 4(a) hereof.

Holders: As defined in Section 2 hereof.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Recommencement Date: As defined in Section 6(d) hereof.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company and the Guarantors relating to (a) an offering of Series B Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Regulation S: Regulation S promulgated under the Act.

Rule 144: Rule 144 promulgated under the Act.

Series B Notes: The Company's 10 1/2 % Series B Senior Notes due 2007 to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

Shelf Registration Statement: As defined in Section 6(b) hereof.

Suspension Notice: As defined in Section 6(d) hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Series A Note, until the earliest to occur of (a) the date on which such Series A Note is exchanged in the Exchange Offer for a Series 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 Series A Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Series B Notes), or (c) the date on which such Series A Note is distributed to the public pursuant to Rule 144 under the Act (and purchasers thereof have been issued Series B Notes) and each Series B Note until the date on which such Series B Note is disposed of by a Broker-Dealer pursuant to the "Plan of

Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "Filing Deadline"), (ii) use its reasonable best

efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (such 150th day being the "Effectiveness Deadline"), (iii) in

connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Series B Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Series B Notes to be offered in exchange for the Series A Notes that are Transfer Restricted Securities and (ii) resales of Series B Notes by Broker-Dealers that tendered into the Exchange Offer Series A Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Series A Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Series B Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their respective best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 business days thereafter (such 30th/ day being the "Consummation Deadline").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Series A Notes acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling no-action letter (available July 2, 1993).

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Series B Notes received by such Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Series B Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of one year from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than one day after such request, at any time during such period.

#### SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Exchange Offer is not permitted by

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applicable law (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Series B Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Series A 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

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pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "Shelf Registration Statement")), relating to

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all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 90 days after the Filing Deadline for the Shelf Registration Statement (such 90th day the "Effectiveness Deadline").

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If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; provided that, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and



regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) Provision by Holders of Certain Information in Connection with the

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Shelf Registration Statement. No Holder of Transfer Restricted Securities may

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include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to liquidated damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a "Registration Default"), then the Company and the Guarantors

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hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby liquidated damages in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the liquidated damages shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; provided that the Company and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any securities for which liquidated damages are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay liquidated damages with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the

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Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Series B Notes by Broker-Dealers that tendered in the Exchange Offer Series 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 Series A Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for such Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker Dealer) shall furnish, upon the request of the Company, prior to the consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B Notes to be issued in the Exchange Offer and (C) it is acquiring the Series B Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer each Holder using the Exchange Offer to participate in a distribution of the Series B Notes shall acknowledge and agree that, if the resales are of Series B Notes obtained by such Holder in exchange for Series A Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon

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Capital Holdings Corporation (available May 13, 1988), as interpreted in the  
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Commission's letter to Shearman & Sterling dated July 2, 1993, and similar

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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),

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Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the  
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Commission's letter to Shearman & Sterling dated July 2, 1993, and, if

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applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to

distribute the Series B Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf

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Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Series A Notes covered by any Shelf Registration Statement contemplated by this Agreement, Series B Notes having an aggregate principal amount equal to the aggregate principal amount of Series A Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Series B Notes on the Shelf Registration Statement for this purpose and issue the Series 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

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any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with

respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) furnish to each Holder in connection with such exchange or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to each Holder in connection with such exchange or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(vii) make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(viii) if requested by any Holders in connection with such exchange or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) furnish to each Holder in connection with such exchange or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) upon the request of any Holder, enter into such agreements (including underwriting agreements) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any Holder, furnish (or in the case of paragraphs (2) and (3), use its best efforts to cause to be furnished) to each Holder, upon Consummation of the Exchange Offer or upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate, dated such date, signed on behalf of the Company and each Guarantor by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, the matters set forth in Sections 6(y), 9(a) and 9(b) of the Purchase Agreement and such other similar matters as such Holders may reasonably request;

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors covering matters similar to those set forth in paragraph (e) of Section 9 of the Purchase Agreement and such other matter as such Holder may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company and the Guarantors, representatives of the independent public accountants for the Company and the Guarantors and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to the extent such counsel deems appropriate upon the statements of officers and other representatives of the Company and the Guarantors) and without independent check or verification, no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to

be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of Consummation of the Exchange Offer, or as of the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 9(g) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; provided, however, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvi) otherwise use their respective reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any

applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) Restrictions on Holders. Each Holder agrees by acquisition of a

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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

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Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "Recommencement

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Date"). Each Holder receiving a Suspension Notice hereby agrees that it will

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either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

#### SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing the Series B Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Series A Notes in the Exchange Offer and/or selling or reselling Series A Notes or Series 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 agrees, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Series B Notes or registered Series A Notes, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each person, if any, who controls the Company, or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in Section 8(a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "indemnified party"), the indemnified party shall promptly notify the person -----  
against whom such indemnity may be sought (the "indemnifying person") in writing -----

and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be



at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Company and Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than twenty business days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities or (ii) if the allocation provided by clause 8(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses

incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9.       RULE 144A and RULE 144

The Company and each Guarantor agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15 (d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

SECTION 10.      MISCELLANEOUS

(a) Remedies.    The Company and the Guarantors acknowledge and agree that

any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements.   Neither the Company nor any Guarantor

will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Company nor any Guarantor has previously entered into any agreement granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) Amendments and Waivers.    The provisions of this Agreement may not be

amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered

pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) Third Party Beneficiary. The Holders shall be third party

beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(e) Notices. All notices and other communications provided for or

permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or the Guarantors:

c/o Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 07701

Telecopier No.: 732-747-7159  
Attention: Corporate Controller

With a copy to:  
Simpson Thacher & Bartlett  
425 Lexington Ave.  
New York, NY 10017

Telecopier No.: 212-455-2502  
Attention: Vince Pagano, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of

and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express 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  
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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  
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reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN  
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ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE  
CONFLICT OF LAW RULES THEREOF.

(j) Severability. In the event that any one or more of the provisions  
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contained herein, or the application thereof in any circumstance, is held  
invalid, illegal or unenforceable, the validity, legality and enforceability of  
any such provision in every other respect and of the remaining provisions  
contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement is intended by the parties as a  
-----  
final expression of their agreement and intended to be a complete and exclusive  
statement of the agreement and understanding of the parties hereto in respect of  
the subject matter contained herein. There are no restrictions, promises,  
warranties or undertakings, other than those set forth or referred to herein  
with respect to the registration rights granted with respect to the Transfer  
Restricted Securities. This Agreement supersedes all prior agreements and  
understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name:  
Title:

HOVNIANIAN ENTERPRISES, INC.

By: \_\_\_\_\_  
Name:  
Title:

GUARANTORS:

HOVNIANIAN ENTERPRISES, INC.  
K. HOVNIANIAN AT HOPEWELL ILL, INC.  
RECREATIONAL DEVELOPMENT CORP., INC.  
PINE BROOK COMPANY, INC.  
K. HOVNIANIAN AT BEDMINSTER, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT ATLANTIC CITY, INC.  
HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY, INC.  
MONTEGO BAY I ACQUISITION CORP., INC.  
PIKE UTILITIES, INC.  
ARROW PROPERTIES, INC.  
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.  
HOVNIANIAN TEXAS, INC.  
LANDARAMA, INC.  
TROPICAL SERVICE BUILDERS, INC.  
HOVNIANIAN PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
M & M INVESTMENTS, L.P.  
MATZEL & MUMFORD OF DELAWARE, INC.  
PARK VILLAGE REALTY, INC.  
GOODMAN FAMILY OF BUILDERS, L.P.  
REFLECTIONS OF YOU INTERIORS, INC.  
HEXTER FAIR LAND TITLE COMPANY I, INC.  
K. HOVNIANIAN AT MAHWAH VIII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP IV, INC.  
K. HOVNIANIAN AT MONTVILLE, INC.  
HOVNIANIAN OF PALM BEACH, INC.

K. HOVNIANIAN COMPANIES OF FLORIDA, INC.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.  
HOVNIANIAN PROPERTIES OF LAKE WORTH, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN PROPERTIES OF HAMILTON, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT WAYNE IV, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
MONTEGO BAY II ACQUISITION CORP., INC.  
HOVNIANIAN OF PALM BEACH VII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP II, INC.  
K. HOVNIANIAN ENTERPRISES, INC.  
HOVNIANIAN OF PALM BEACH IX, INC.  
HOVNIANIAN AT TARPON LAKES I, INC.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
KINGS GRANT EVESHAM CORP.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VII, INC.  
K. HOVNIANIAN COMPANIES OF CENTRAL JERSEY, INC.  
HOVNIANIAN OF PALM BEACH XI, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT LAWRENCE SQUARE, INC.  
K. HOVNIANIAN AT TARPON LAKES III, INC.  
K. HOVNIANIAN AT HORIZON HEIGHTS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNIANIAN AT JERSEY CITY I, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN AT FT. MYERS I, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP II, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT JENSEN BEACH, INC.  
MOLLY PITCHER CONSTRUCTION CO., INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
THE NEW FORTIS CORPORATION  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
DRYER ASSOCIATES, INC.  
K. HOVNIANIAN AT PASCO I, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT MARTIN DOWNS II, INC.  
K. HOVNIANIAN AVIATION, INC.

K. HOVNIANIAN INVESTMENT PROPERTIES, INC.  
K. HOVNIANIAN AT FT. MYERS II, INC.  
K. HOVNIANIAN AT BERNARDS II, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
MINERVA GROUP, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.  
K. HOVNIANIAN AT BRIDGEWATER V, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT PEEKSKILL, INC.  
K. HOVNIANIAN AT NEWARK I, INC.  
K. HOVNIANIAN AT CARMEL, INC.  
K. HOVNIANIAN AT EAST WINDSOR I, INC.  
PARTHENON GROUP, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP II, INC.  
K. HOVNIANIAN AT SOMERSET III, INC.  
R.C.K. COMMUNITY MANAGEMENT CO., INC.  
K. HOVNIANIAN AT MONTCLAIR, NJ, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN AT MONTVILLE II, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VII, INC.  
K. HOVNIANIAN AT BRIDGEWATER II, INC.  
K. HOVNIANIAN AT MERRIMACK, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT PASCO II, INC.  
K. HOVNIANIAN AT DELRAY BEACH II, INC.  
K. HOVNIANIAN AT BRANCHBURG I, INC.  
K. HOVNIANIAN AT PLAINSBORO II, INC.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.  
K. HOVNIANIAN AT WEST ORANGE, INC.  
EASTERN TITLE AGENCY, INC.  
K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
NEW ENGLAND COMMUNITY MANAGEMENT COMPANY, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MERRIMACK II, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION I  
K. HOVNIANIAN AT LAWRENCE GROVE, INC.

K. HOVNIANIAN AT CEDAR GROVE I, INC.  
K. HOVNIANIAN AT CEDAR GROVE II, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT JERSEY CITY II, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT HALF MOON BAY, INC.  
K. HOVNIANIAN AT JACKSONVILLE II, INC.  
K. HOVNIANIAN AT BRANCHBURG II, INC.  
K. HOVNIANIAN AT EMBASSY LAKES, INC.  
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
JERSEY CITY DANFORTH CSO, INC.  
K. HOVNIANIAN AT EAST WINDSOR II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. III,  
INC.  
K. HOVNIANIAN AT SOMERSET VIII, INC.  
K. HOVNIANIAN AT READINGTON, INC.  
K. HOVNIANIAN AT HOPEWELL I, INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. IV,  
INC.  
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORP. V, INC.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT MAHWAH IV, INC.  
K. HOVNIANIAN AT POMPANO BEACH, INC.  
K. HOVNIANIAN AT JERSEY CITY III, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL  
CORPORATION, INC.  
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT BRIDGEWATER IV, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT VALLEYBROOK, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT PLAINSBORO I, INC.  
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.  
WESTERN FINANCIAL SERVICES, INC.  
K. HOVNIANIAN AT WAYNE, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN AT HANOVER, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON, INC.  
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC. EXC, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO



WASHINGTON, INC.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.  
K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN AT FAIRWAY VIEWS, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.  
K. HOVNIANIAN AT CHAPEL TRAIL, INC.  
K. HOVNIANIAN TREASURE COAST, INC.  
K. HOVNIANIAN AT UPPER MERION, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MEDFORD I, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SPRING RIDGE, INC.  
K. HOVNIANIAN MARINE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN PROPERTIES OF ROUTE 35, INC.  
STONEBROOK HOMES, INC.  
K. HOVNIANIAN AT WINSTON TRAILS, INC.  
K. HOVNIANIAN AT LAKES OF BOCA RATON, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON II, INC.  
K. HOVNIANIAN AT LAKE CHARLESTON III, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
KHIPE, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.  
K. HOVNIANIAN AT VALLEYBROOK II, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT WINSTON TRAILS II, INC.  
K. HOVNIANIAN FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT PEMBROKE SHORES, INC.  
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.  
GOVERNOR'S ABSTRACT CO., INC.  
K. HOVNIANIAN AT COCONUT CREEK, INC.  
K. HOVNIANIAN AT POLO TRACE, INC.  
FOUNDERS TITLE AGENCY, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT WAYNE II, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN AT TERRAZA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
KHC ACQUISITION, INC.

K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT BALLANTRAE, INC.  
BALLANTRAE HOME SALES, INC.  
K. HOVNIANIAN COMPANIES AT WILDROSE, INC.  
K. HOVNIANIAN AT GREENBROOK, INC.  
K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RARITAN I, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT SENECA CROSSING, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN FLORIDA REGION, INC.  
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.  
K. HOVNIANIAN AT BERLIN, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT BEDMINSTER II, INC.  
K. HOVNIANIAN AT INVERRARY I, INC.  
K. HOVNIANIAN AT MAHWAH IX, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT LOCUST GROVE I, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT PRESTON, INC.  
K. HOVNIANIAN AT BERNARDS III, INC.  
K. HOVNIANIAN AT WAYNE VI, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH CENTER DRIVE,  
INC.  
BALLANTRAE DEVELOPMENT CORP.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN PROPERTIES OF N.B. THEATRE, INC.  
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT BURLINGTON II, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT JEFFERSON, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD  
TOWNSHIP I, INC.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.

K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.  
K. HOVNIANIAN AT MANALAPAN II, INC.  
K. HOVNIANIAN AT HOPEWELL V, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT THORNBURY, INC.  
K. HOVNIANIAN AT WAYNE VII, INC.  
K. HOVNIANIAN SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN AT SMITHVILLE II, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT CHAPARRAL, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT LOWER SAUGON II, INC.  
K. HOVNIANIAN AT STONEGATE, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT P.C. HOMES, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.  
K. HOVNIANIAN AT THE GLEN  
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT NORTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN SHORE ACQUISITION, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, L.L.C.  
K. HOVNIANIAN AT MANSFIELD II, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITION, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.

K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNIANIAN AT MENIFEE, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT LAWRENCE, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT ROLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD  
TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III,  
L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.  
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C  
WHI HOLDING CO., INC.

By: \_\_\_\_\_  
Name:  
Title:

DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

SALOMON SMITH BARNEY INC.

By: \_\_\_\_\_  
Name:  
Title:

PNC CAPITAL MARKETS, INC.

By: \_\_\_\_\_  
Name:  
Title:

## SCHEDULE OF SUBSIDIARY REGISTRANTS

Exact Name of Subsidiary Registrant As Specified in Its Charter

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K. Hovnanian at Hopewell Ill., Inc.  
 Recreational Development Corp., Inc.  
 Pine Brook Company, Inc.  
 K. Hovnanian at Bedminster, Inc.  
 K. Hovnanian at The Bluff, Inc.  
 K. Hovnanian at Atlantic City, Inc.  
 Hovnanian Properties of Atlantic County, Inc.  
 Montego Bay I Can Corp., Inc.  
 Pike Utilities, Inc.  
 Arrow Properties, Inc.  
 K. Hovnanian Real Estate Investment, Inc.  
 Hovnanian Texas, Inc.  
 Landarama, Inc.  
 Tropical Service Builders, Inc.  
 Hovnanian Pennsylvania, Inc.  
 K. Hovnanian Properties of North Brunswick V, Inc.  
 K. Hovnanian at Mahwah VIII, Inc.  
 K. Hovnanian at Wall Township IV, Inc.  
 K. Hovnanian at Montville, Inc.  
 Hovnanian of Palm Beach, Inc.  
 K. Hovnanian Companies of Florida, Inc.  
 K. Hovnanian at Freehold Township, Inc.  
 Hovnanian Properties of Lake Worth, Inc.  
 K. Hovnanian Companies of Pennsylvania, Inc.  
 K. Hovnanian Properties of Hamilton, Inc.  
 K. Hovnanian at Scotch Plains, Inc.  
 K. Hovnanian at Wayne IV, Inc.  
 Hovnanian Developments of Florida, Inc.  
 Montego Bay II Acquisition Corp., Inc.  
 Hovnanian of Palm Beach VII, Inc.  
 K. Hovnanian at Wall Township II, Inc.  
 K. Hovnanian Enterprises, Inc.  
 Hovnanian of Palm Beach IX, Inc.  
 Hovnanian At Tarpon Lakes I, Inc.  
 K. Hovnanian Companies Northeast, Inc.  
 Kings Grant Evesham Corp.  
 K. Hovnanian at Manalapan, Inc.  
 K. Hovnanian at Wall Township, Inc.  
 K. Hovnanian at East Brunswick VII, Inc.  
 K. Hovnanian Companies of Central Jersey, Inc.  
 Hovnanian of Palm Beach XI, Inc.  
 K. Hovnanian at South Brunswick II, Inc.

K. Hovnanian at Lawrence Square, Inc.  
K. Hovnanian at Tarpon Lakes III, Inc.  
K. Hovnanian at Horizon Heights, Inc.  
K. Hovnanian at Reservoir Ridge, Inc.  
K. Hovnanian at Jersey City I, Inc.  
K. Hovnanian Investment Properties of New Jersey, Inc.  
K. Hovnanian at Ft Myers I, Inc.  
K. Hovnanian at Howell Township II, Inc.  
K. Hovnanian at Klockner Farms, Inc.  
K. Hovnanian Jensen Beach, Inc.  
Molly Pitcher Construction Co., Inc.  
K. Hovnanian at Mahwah VII, Inc.  
K. Hovnanian at Wayne III, Inc.  
K. Hovnanian Properties of East Brunswick II, Inc.  
K. Hovnanian at Kings Grant I, Inc.  
The New Fortis Corporation  
K. Hovnanian at Clarkstown, Inc.  
K. Hovnanian Companies of New York, Inc.  
K. Hovnanian Developments of New York, Inc.  
Dryer Associates, Inc.  
K. Hovnanian at Pasco I, Inc.  
K. Hovnanian at Lakewood, Inc.  
K. Hovnanian at Martin Downs II, Inc.  
K. Hovnanian Aviation, Inc.  
K. Hovnanian Investment Properties, Inc.  
K. Hovnanian At Ft. Myers II, Inc.  
K. Hovnanian at Bernards II, Inc.  
K. Hovnanian at South Brunswick III, Inc.  
Minerva Group, Inc.  
K. Hovnanian developments of New Jersey, Inc.  
K. Hovnanian at Bridgewater V, Inc.  
K. Hovnanian at North Brunswick II, Inc.  
K. Hovnanian at Washingtonville, Inc.  
K. Hovnanian at Peekskill, Inc.  
K. Hovnanian at Newark I, Inc.  
K. Hovnanian at Carmel, Inc.  
K. Hovnanian at East Windsor I, Inc.  
Parthenon Group, Inc.  
K. Hovnanian at Marlboro Township II, Inc.  
K. Hovnanian at Somerset III, Inc.  
R.C.K. Community Management Co., Inc.  
K. Hovnanian at Montclair, NJ, Inc.  
K. Hovnanian at East Brunswick VI, Inc.  
K. Hovnanian at Hackettstown, Inc.  
K. Hovnanian Companies of North Carolina, Inc  
K. Hovnanian at Montville II, Inc.

K. Hovnanian at Wall Township VII, Inc.  
K. Hovnanian at Bridgewater II, Inc.  
K. Hovnanian at Merrimack, Inc.  
K. Hovnanian at Bernards III, Inc.  
Eastern National Title Insurance Agency, Inc.  
K. Hovnanian at Wayne V, Inc.  
K. Hovnanian at Pasco II, Inc.  
K. Hovnanian at Delray Beach II, Inc.  
K. Hovnanian at Branchburg I, Inc.  
K. Hovnanian at Plainsboro II, Inc.  
K. Hovnanian at Northern Westchester, Inc.  
K. Hovnanian Marlboro Township, Inc.  
K. Hovnanian at West Orange, Inc.  
Eastern Title Agency, Inc.  
K. Hovnanian Properties of Franklin, Inc.  
K. Hovnanian at Mahwah II, Inc.  
New England Community Management Company, Inc.  
K. Hovnanian at Howell Township, Inc.  
K. Hovnanian at South Brunswick IV, Inc.  
K. Hovnanian at Wall Township VI, Inc.  
K. Hovnanian Properties of Piscataway, Inc.  
K. Hovnanian at Mahwah V, Inc.  
K. Hovnanian at Merrimack II, Inc.  
K. Hovnanian at Newark Urban Renewal Corporation I  
K. Hovnanian at Lawrence Grove, Inc.  
K. Hovnanian at Cedar Grove I, Inc.  
K. Hovnanian at Cedar Grove II, Inc.  
K. Hovnanian at North Brunswick III, Inc.  
K. Hovnanian at Jersey City II, Inc.  
K. Hovnanian at Burlington, Inc.  
K. Hovnanian at South Brunswick V, Inc.  
K. Hovnanian at Half Moon Bay, Inc.  
K. Hovnanian at Jacksonville II, Inc.  
K. Hovnanian at Branchburg II, Inc.  
K. Hovnanian at Embassy Lakes, Inc.  
K. Hovnanian at The Reserve at Medford, Inc.  
K. Hovnanian at Branchburg III, Inc.  
K. Hovnanian at Lower Saucon, Inc.  
Jersey City Danforth CSO, Inc.  
K. Hovnanian at East Windsor II, Inc.  
K. Hovnanian at Marlboro Township III, Inc.  
K. Hovnanian at Newark Urban Renewal Corp. III, Inc.  
K. Hovnanian at Somerset VIII, Inc.  
K. Hovnanian at Readington, Inc.  
K. Hovnanian at Hopewell I, Inc.  
K. Hovnanian at Newark Urban Renewal corp. IV, Inc.



K. Hovnanian at Newark Urban Renewal Corp. V, Inc.  
K. Hovnanian at Plainsboro III, Inc.  
K. Hovnanian at Mahwah IV, Inc.  
K. Hovnanian at Pompano Beach, Inc.  
K. Hovnanian at Jersey City III, Inc.  
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.  
K. Hovnanian at North Brunswick IV, Inc.  
K. Hovnanian at Bridgewater IV, Inc.  
K. Hovnanian at South Brunswick, Inc.  
K. Hovnanian Perkiomen I, Inc.  
K. Hovnanian at Valleybrook, Inc.  
K. Hovnanian at Ocean Township, Inc.  
K. Hovnanian at Plainsboro I, Inc.  
K. Hovnanian Real Estate of Florida, Inc.  
Western Financial Services, Inc.  
K. Hovnanian at Wayne, Inc.  
K. Hovnanian Properties of Red Bank, Inc.  
K. Hovnanian at Hanover, Inc.  
K. Hovnanian at Lake Charleston, Inc.  
New K. Hovnanian Developments of Florida, Inc.  
K. Hovnanian Companies of Metro Washington, Inc.  
K. Hovnanian at Montgomery I, Inc.  
EXC, Inc  
K. Hovnanian Developments of Metro Washington, Inc.  
K. Hovnanian at Ashburn Village, Inc.  
K. Hovnanian at Woodmont, Inc.  
K. Hovnanian at Fairway Views, Inc.  
K. Hovnanian at Carolina Country Club I, Inc.  
K. Hovnanian at Chapel Trail, Inc.  
K. Hovnanian Treasure Coast, Inc.  
K. Hovnanian at Upper Merion, Inc.  
K. Hovnanian at Mahwah VI, Inc.  
K. Hovnanian at Medford I, Inc.  
K. Hov International, Inc.  
K. Hovnanian at Montclair, Inc.  
K. Hovnanian at Bull Run, Inc.  
K. Hovnanian at Sully Station, Inc.  
K. Hovnanian at Spring Ridge, Inc.  
K. Hovnanian Marine, Inc.  
K. Hovnanian at River Oaks, Inc.  
K. Hovnanian at Holly Crest, Inc.  
K. Hovnanian Properties of Route 35, Inc.  
Stonebrook Homes, Inc.  
K. Hovnanian at Winston Trails, Inc.  
K. Hovnanian at Lakes of Boca Raton, Inc.  
K. Hovnanian at Lake Charleston II, Inc.

K. Hovnanian at Lake Charleston III, Inc.  
K. Hovnanian at Bridgewater VI, Inc.  
KHIPE, Inc.  
K. Hovnanian at Fair Lakes, Inc.  
K. Hovnanian at Carolina Country Club II, Inc.  
K. Hovnanian at Valleybrook II, Inc.  
K. Hovnanian at Park Ridge, Inc.  
K. Hovnanian at Belmont, Inc.  
K. Hovnanian at Winston Trails II, Inc.  
K. Hovnanian Fair Lakes Glen, Inc.  
K. Hovnanian at Pembroke Shores, Inc.  
K. Hovnanian At Carolina Country Club III, Inc.  
Governor's Abstract Co., Inc.  
K. Hovnanian at Coconut Creek, Inc.  
K. Hovnanian at Polo Trace, Inc.  
Founders Title Agency, Inc.  
K. Hovnanian at Bernards IV, Inc.  
K. Hovnanian at Perkiomen II, Inc.  
K. Hovnanian at Wayne II, Inc.  
K. Hovnanian at Upper Makefield I, Inc.  
K. Hovnanian Companies of California, Inc.  
K. Hovnanian at Terraza, Inc.  
K. Hovnanian Developments of California, Inc.  
KHC Acquisition, Inc.  
K. Hovnanian at Stuart Road, Inc.  
K. Hovnanian at Highland Vineyards, Inc.  
K. Hovnanian at Ballantrae, Inc.  
Ballantrae Home Sales, Inc.  
K. Hovnanian Companies at Wildrose, Inc.  
K. Hovnanian at Greenbrook, Inc.  
K. Hovnanian at Hunter Estates, Inc.  
K. Hovnanian at Carmel Delmar, Inc.  
K. Hovnanian at Vail Ranch, Inc.  
K. Hovnanian at Princeton, Inc.  
K. Hovnanian at Raritan I, Inc.  
K. Hovnanian at Calabria, Inc.  
K. Hovnanian at Seneca Crossing, Inc.  
K. Hovnanian Companies of Maryland, Inc.  
K. Hovnanian Developments of Maryland, Inc.  
K. Hovnanian at Exeter Hills, Inc.  
K. Hovnanian Florida Region, Inc.  
K. Hovnanian Southeast Florida, Inc.  
K. Hovnanian at Berlin, Inc.  
K. Hovnanian at East Brunswick VI, Inc.  
K. Hovnanian at Bedminster II, Inc.  
K. Hovnanian at Inverrary I, Inc.  
K. Hovnanian at Mahwah IX, Inc.  
K. Hovnanian at Northlake, Inc.  
K. Hovnanian at Hopewell IV, Inc.  
K. Hovnanian at Locust Grove I, Inc.  
K. Hovnanian at Castile, Inc.  
K. Hovnanian at Tierrasanta, Inc.  
K. Hovnanian at Preston, Inc.  
K. Hovnanian at Bernards III, Inc.  
K. Hovnanian at Wayne VI, Inc.  
K. Hovnanian Properties of North Center Drive, Inc.  
K. Hovnanian at La Trovata, Inc.  
K. Hovnanian at Rancho Cristianitos, Inc.  
K. Hovnanian at Tannery Hill, Inc.  
K. Hovnanian Properties of N.B. Theatre, Inc.  
K. Hovnanian at Crystal Springs, Inc.  
K. Hovnanian at The Cedars, Inc.  
K. Hovnanian at Construction Management, Inc.  
K. Hovnanian Acquisitions, Inc.  
K. Hovnanian at Burlington II, Inc.  
K. Hovnanian at Burlington III, Inc.  
K. Hovnanian at Ballantrae Estates, Inc.  
K. Hovnanian at Smithville, Inc.  
K. Hovnanian at Upper Freehold Township I, Inc.  
K. Hovnanian at Hershey's Mill, Inc.  
K. Hovnanian at Dominion Ridge, Inc.  
K. Hovnanian at Port Imperial North, Inc.  
K. Hovnanian at Union Township I, Inc.  
K. Hovnanian at East Brunswick VIII, Inc.  
K. Hovnanian at Manalapan II, Inc.

K. Hovnanian at Hopewell V, Inc.  
K. Hovnanian at Hopewell VI, Inc.  
K. Hovnanian at Cameron Chase, Inc.  
K. Hovnanian at Thornbury, Inc.  
K. Hovnanian at Wayne VII, Inc.  
K. Hovnanian Scotch Plains II, Inc.  
K. Hovnanian at Marlboro Township IV, INC.  
K. Hovnanian Port Imperial Urban Renewal, Inc.  
K. Hovnanian at East Whiteland I, Inc.  
K. Hovnanian at Stonegate, Inc.  
K. Hovnanian at Crestline, Inc.  
K. Hovnanian at San Sevaine, Inc.  
K. Hovnanian at Sycamore, Inc.  
K. Hovnanian Companies of Southern California, Inc.  
K. Hovnanian at Smithville II, Inc.  
K. Hovnanian at Stony Point, Inc.  
K. Hovnanian at Stone Canyon, Inc.  
K. Hovnanian at Tuxedo, Inc.  
K. Hovnanian at Bridgeport, Inc.  
K. Hovnanian at Saratoga, Inc.  
K. Hovnanian at Chaparral, Inc.  
K. Hovnanian at Ocean Walk, Inc.  
K. Hovnanian at Lower Saugon II, Inc.  
K. Hovnanian at Stonegate, Inc.  
K. Hovnanian at Barrington, Inc.  
K. Hovnanian at Hampton Oaks, Inc.  
K. Hovnanian at P.C. Homes, Inc.  
K. Hovnanian at P.C. Properties, Inc.  
K. Hovnanian at Summerwood, Inc.  
K. Hovnanian at The Glen  
K. Hovnanian's Four Seasons of the Palm Beaches, Inc.  
K. Hovnanian at Wall Township VIII, Inc.  
K. Hovnanian at North Jersey Acquisition, L.L.C.  
K. Hovnanian at Central Acquisition, L.L.C.  
K. Hovnanian at Shore Acquisition, L.L.C.  
K. Hovnanian at South Jersey Acquisition, L.L.C.  
K. Hovnanian at Mansfield I, L.L.C.  
K. Hovnanian at Mansfield II, L.L.C.  
K. Hovnanian at North Central Acquisition, L.L.C.  
K. Hovnanian at Wayne VIII, L.L.C.  
K. Hovnanian at Bernards V, L.L.C.  
K. Hovnanian at Wanaque, L.L.C.  
K. Hovnanian at Chester I, L.L.C.  
K. Hovnanian at Winchester, L.L.C.  
K. Hovnanian at Middletown, L.L.C.  
K. Hovnanian's Four Seasons, L.L.C.  
K. Hovnanian at Menifee, L.L.C.

K. Hovnanian at North Brunswick VI, L.L.C.  
K. Hovnanian at Carmel Village, L.L.C.  
K. Hovnanian at Lawrence, L.L.C.  
K. Hovnanian at Blue Heron Pines, L.L.C.  
K. Hovnanian at Jackson, L.L.C.  
K. Hovnanian at Roland Heights, L.L.C.  
K. Hovnanian at Berkeley, L.L.C.  
K. Hovnanian at King Farm, L.L.C.  
K. Hovnanian at South Bank, L.L.C.  
K. Hovnanian at Prince William, L.L.C.  
K. Hovnanian at Lake Terrapin, L.L.C.  
K. Hovnanian at Clifton, LLC  
K. Hovnanian at Upper Freehold Township II, L.L.C  
K. Hovnanian at Jersey City IV, L.L.C  
K. Hovnanian at Rancho Santa Margarita, L.L.C  
K. Hovnanian at Lafayette Estates, L.L.C  
K. Hovnanian at Arbor Heights, L.L.C  
K. Hovnanian at South Amboy, L.L.C  
K. Hovnanian at the Gables, L.L.C  
K. Hovnanian at Linwood, L.L.C  
K. Hovnanian at Riverbend, L.L.C  
K. Hovnanian at Kincaid, L.L.C  
K. Hovnanian at Upper Freehold Township III, L.L.C  
K. Hovnanian at Northfield, L.L.C  
K. Hovnanian at Kent Island, L.L.C  
The Matzel & Mumford Organization, Inc.  
M & M Investments, LP  
K. Hovnanian at Ashburn Village, L.L.C  
K. Hovnanian Co. Metro DC North, L.L.C  
K. Hovnanian at Mansfield Ill., L.L.C  
Goodman Family of Builders, LP  
K. Hovnanian Developments of Texas, Inc.  
K. Hovnanian at Brenbrooke, L.L.C  
K. Hovnanian at Spring Hill Road, L.L.C  
K. Hovnanian at St. Margarets, L.L.C  
Matzel & Mumford of Delaware, Inc.  
K. Hovnanian at Paramus, L.L.C  
K. Hovnanian at Blooms Crossing, L.L.C  
K. Hovnanian at Encinitas Ranch, L.L.C  
K. Hovnanian Pacific Bluffs, L.L.C  
K. Hovnanian Sunsets, L.L.C  
K. Hovnanian at Willow Brook, L.L.C  
K. Hovnanian at Park Lane, L.L.C  
K. Hovnanian West Milford, L.L.C  
K. Hovnanian at Washington, L.L.C  
K. Hovnanian at Roderuck, L.L.C

K. Hovnanian at Columbia Town Center, L.L.C.  
K. Hovnanian's Private Home Portfolio, L.L.C.  
K. Hovnanian at North Haledon, L.L.C.

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the Caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of K. Hovnanian Enterprises, Inc. and Hovnanian Enterprises, Inc. for the registration of \$150,000,000 10 1/2% Senior Notes due 2007 and to the incorporation by reference therein of our report dated December 16, 1999, with respect to the consolidated financial statements of Hovnanian Enterprises, Inc. included in its Annual Report (Form 10-K) for the year ended October 31, 1999, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP  
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ERNST & YOUNG LLP

New York, New York  
December 27, 2000

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of K. Hovnanian Enterprises, Inc. and Hovnanian Enterprises, Inc on Form S-4 of our report dated September 6, 2000, appearing in the Current Report on Form 8-K of Washington Homes, Inc. and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP  
Deloitte & Touche LLP

McLean, Virginia  
December 27, 2000

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevork S. Hovnanian Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000
Arthur M. Greenbaum	Director	December ____, 2000
Desmond P. McDonald	Director	December ____, 2000
Stephen D. Weinroth	Director	December ____, 2000



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Signature -----	Title -----	Date ----
/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board	December 27, 2000
/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Chief Executive Officer, President and Director	December 27, 2000
/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President - Corporate Controller and Director	December 27, 2000
/s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice President, General Counsel/Secretary and Director	December 27, 2000
/s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director	December 27, 2000

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE  
PURSUANT TO SECTION 305(b)(2)\_\_\_

FIRST UNION NATIONAL BANK  
(Name of Trustee)

(Jurisdiction of Incorporation or Organization if not a U.S. National Bank)	22-1147033 (I.R.S. Employer Identification No.)
301 South College Street, Charlotte, North Carolina	28288-0630
(Address of Principal Executive Offices)	(Zip Code)

Hovnanian Enterprises, Inc.  
(Name of Obligor)

Delaware (State of Incorporation)	22-1851059 (I.R.S. Employer Identification No.)
10 Highway 35, P.O. Box 500, Redbank, NJ	07701
(Address of Principal Executive Offices)	(Zip Code)

K. Hovnanian Enterprises, Inc.  
(Name of Obligor)

New Jersey (State of Incorporation)	22-2423583 (I.R.S. Employer Identification No.)
10 Highway 35, Redbank, NJ	07701
(Address of Principal Executive Offices)	(Zip Code)

Debt Securities  
(Title of Indenture Securities)

GENERAL

Item 1. General information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervisory authority to which it is subject:

Comptroller of the Currency, Washington, D.C. Board of Governors of the Federal Reserve System, New York, N.Y. Federal Deposit Insurance Corporation, Washington, D.C.

- (b) Whether it is authorized to exercise corporate trust powers.

The Trustee is authorized to exercise corporate trust powers.

Item 2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

Item 3. Voting Securities of the Trustee.

Furnish the following information as to each class of voting securities of the trustee:

Col. A ----- Title of Class	Col. B ----- Amount Outstanding
-----------------------------------	---------------------------------------

Not applicable

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

(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.

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

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 -----	Col. B -----	Col. C -----	Col. D. -----
Name of Owner Not Applicable	Title of Class	Amount owned beneficially	Percentage of Voting securities represented by amount given in Col. C

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 -----	Col. B -----	Col. C -----	Col. D. -----
Name of Owner Not Applicable	Title of Class	Amount owned beneficially	Percentage of Voting securities represented by amount given in Col. C

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 -----	Col. B -----	Col. C -----	Col. D. -----
Not Applicable	Whether the securities are voting or non voting	Amount owned beneficially or held as collateral obligations in default by Trustee	Percentage of class represented by amt given in Col C

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.	Col. B.	Col. C.	Col. D.
Name of Issuer and title of class	Amount outstanding	Amount owned beneficially or held as collateral security for obligations in default by Trustee	Percentage of class represented by amount given in Col. C.

Not applicable

Item 10. Ownership or Holdings by the Trustee of Voting Securities of Certain Affiliates or Security Holders of the Obligor.

If the trustee owns beneficially or holds as collateral security for obligations in default voting securities of a person who, to the knowledge of the trustee (1) owns 10 percent or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor, furnish the following information as to the voting securities of such person.

Col. A.	Col. B.	Col. C.	Col. D.
Name of Issuer and title of class	Amount outstanding	Amount owned beneficially or held as collateral security for obligations in default by Trustee	Percentage of Voting securities represented by amount given in Col. C.

Not Applicable

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.	Col. B.	Col. C.	Col. D.
Name of Issuer and title of class	Amount outstanding	Amount owned beneficially or held as collateral security for obligations in default by Trustee	Percentage of class represented by amount given in Col. C.

Not Applicable

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.	Col. B.	Col. C.
Nature of Indebtedness	Amount outstanding	Date due

Not Applicable

Item 13. Defaults by the Obligor.

(a) State whether there is or has been a default with respect to the securities under this

indenture. Explain the nature of any such default.

None

(b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

None

Item 14. Affiliations with the Underwriters.

If any underwriter is an affiliate of the trustee, describe each such affiliation.

Not Applicable

Item 15. Foreign Trustee.

Identify the order or rule pursuant to which the foreign trustee is authorized to act as sole trustee under indentures qualified or to be qualified under the Act.

Not Applicable

Item 16. Lists of Exhibits.

- 1\* -Copy of Articles of Association of the Trustee as now in effect.
- 2 -No certificate of authority of the Trustee to commence business is furnished since this authority is contained in the Articles of Association of the Trustee.
- 3\*\* -Copy of the authorization of the Trustee to exercise corporate trust powers.
- 4\*\* -Copy of the existing By-Laws of the Trustee, as now in effect.
- 5 -Not applicable.
- 6 -The consent of the Trustee required by Section 321 (b) of the Act.
- 7 -A copy of the latest report of Condition of the Trustee published pursuant to the law or the requirements of its supervising or examining authority.
- 8 -Not Applicable
- 9 -Not Applicable \_\_\_\_\_

\*Exhibit thus designated has heretofore been filed with the Securities and Exchange Commission, have not been amended since filing and are incorporated herein by reference (see Exhibit T-1 Registration Number 333-47985).

\*\*Exhibits thus designated have 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 333-49145).

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, First Union National Bank, has relied upon information furnished to it by the obligor or such underwriter.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, First Union National Bank, a national banking association organized and existing under the laws of the United States, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Morristown, and State of New Jersey, on the 19th day of December, 2000

First Union National Bank  
(Trustee)

(CORPORATE SEAL)

By: /s/ Stephanie Roche  
-----  
Vice President

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.

FIRST UNION NATIONAL BANK

By: /s/ Stephanie Roche

-----  
Vice President

Morristown, NJ  
December 19, 2000

EXHIBIT T-7

REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the First Union National Bank, at the close of business on September 30, 2000, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 22693 Comptroller of the Currency.  
Statement of Resources and Liabilities

## ASSETS

Thousand of Dollars

Cash and balance due from depository institutions:	
Noninterest-bearing balances and currency and coin .....	7,814,000
Interest-bearing balances .....	4,091,000
Securities .....	//////////
Hold-to-maturity securities .....	1,556,000
Available-for-sale securities .....	48,764,000
Federal funds sold and securities purchased under agreements to resell .....	////////// 2,165,000
Loans and lease financing receivables:	
Loan and leases, net of unearned income.....	132,642,000
LESS: Allowance for loan and lease losses.....	1,900,000
LESS: Allocated transfer risk reserve.....	0
Loans and leases, net of unearned income, allowance, and reserve .....	130,742,000
Trading Assets .....	12,912,000
Premises and fixed assets (including capitalized leases) .....	2,928,000
Other real estate owned .....	107,000
Investment in unconsolidated subsidiaries and associated companies .....	////////// 250,000
Customer's liability to this bank on acceptances outstanding .....	967,000
Intangible assets .....	2,889,000
Other assets .....	12,662,000
Total assets .....	227,847,000

## LIABILITIES

Deposits:	
In domestic offices .....	130,675,000
Noninterest-bearing .....	20,065,000
Interest-bearing.....	110,610,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs .....	12,305,000
Noninterest-bearing .....	39,000
Interest-bearing.....	12,266,000
Federal funds purchased and securities sold under agreements to repurchase .....	23,476,000
Demand notes issued to the U.S. Treasury .....	2,077,000
Trading liabilities .....	6,979,000
Other borrowed money: .....	//////////
With a remaining maturity of one year or less .....	16,205,000
With a remaining maturity of one year through three years .....	4,039,000
With a remaining maturity of more than three years .....	2,075,000
Bank's liability on acceptances executed and outstanding .....	975,000
Subordinated notes and debentures .....	5,993,000
Other liabilities .....	7,567,000
Total liabilities .....	212,366,000

## EQUITY CAPITAL

Perpetual preferred stock and related surplus .....	161,000
Common Stock .....	455,000
Surplus .....	13,306,000
Undivided profits and capital reserves .....	2,381,000
Net unrealized holding gains (losses) on available-for-sale securities .....	////////// (817,000)
Cumulative foreign currency translation adjustments .....	(5,000)
Total equity capital .....	15,481,000
Total liabilities and equity capital .....	227,847,000

LETTER OF TRANSMITTAL  
With Respect to

K. HOVNIANIAN ENTERPRISES, INC.

Offer to Exchange

10 1/2% Outstanding Senior Notes due 2007  
for 10 1/2% Senior Notes due 2007  
that have been registered  
under the Securities Act of 1933

-----  
THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,  
NEW YORK CITY TIME, ON \_\_\_\_\_, 2001 UNLESS THE OFFER IS EXTENDED.  
-----

By Overnight Mail or Courier:  
First Union National Bank  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Hand:  
First Union National Bank  
(the "Exchange Agent")  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.

By Mail:  
First Union National Bank  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

Charlotte NC 28288-1153

By Facsimile Transmission:  
(704) 590-7628

Confirm by Telephone:  
(704) 590-7413

Information:  
(704) 590-7413

Delivery of this instrument to an address other than as set forth above or transmission of instructions via a facsimile number other than the ones listed 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.

The undersigned hereby acknowledges receipt of the Prospectus dated \_\_\_\_\_, 2000 (the "Prospectus") of K. Hovnanian Enterprises, Inc. (the "Issuer") and Hovnanian Enterprises, Inc., the parent of the Issuer and most of the subsidiaries of Hovnanian Enterprises, Inc. (the "Guarantors," and each a "Guarantor") and this Letter of Transmittal, which together constitute the Issuer's offer (the "Exchange Offer") to exchange \$1,000 principal amount of their 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Exchange Notes") which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement of which the Prospectus is a part, for each \$1,000 principal amount of their outstanding 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Outstanding Notes"), respectively. The term "Expiration Date" shall mean 5:00 p.m., New York City time, on \_\_\_\_\_, 2001, unless the Issuer, in its reasonable judgment, extends the Exchange Offer, in which case the term shall mean the latest date and time to which the Exchange Offer is extended. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH 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.

List below the Outstanding Notes to which this Letter of Transmittal relates. If the space indicated is inadequate, the Certificate or Registration Numbers and Principal Amounts should be listed on a separately signed schedule affixed hereto.

-----  
 DESCRIPTION OF OUTSTANDING NOTES TENDERED HEREBY  
 -----

Name(s) and Address(es) of Registered Owner(s) (Please fill in)	Certificate or Registration Numbers*	Aggregate Principal Amount Represented by Outstanding Notes	Principal Amount Tendered**
--	---	---	--------------------------------

-----  
 Total Shares  
 -----

\* Need not be completed by book-entry Holders.

\*\* Unless otherwise indicated, the Holder will be deemed to have tendered the full aggregate principal amount represented by such Outstanding Notes. All tenders must be in integral multiples of \$1,000.

-----  
 This Letter of Transmittal is to be used if (i) certificates representing Outstanding Notes are to be physically delivered to the Exchange Agent herewith, (ii) tender of Outstanding Notes is 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--Procedures for Tendering" in the Prospectus or (iii) tender of the Outstanding Notes is to be made according to the guaranteed delivery procedures described in the Prospectus under the caption "The Exchange Offer--Guaranteed Delivery Procedures." See Instruction 2. Delivery of documents to a book-entry transfer facility does not constitute delivery to the Exchange Agent. This Letter of Transmittal must be completed, signed and delivered even if tender instructions are being transmitted through the Book-Entry Transfer Facility Automated Tender Offer Program ("ATOP").

As used in this Letter of Transmittal, the term "Holder" with respect to the Exchange Offer means any person in whose name Outstanding Notes are registered on the books of the Issuer or, with respect to interests in the Global Outstanding Notes held by DTC, any DTC participant listed in an official DTC proxy. The undersigned has completed, executed 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 in its entirety.

-----  
 Holders of Outstanding Notes that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through ATOP, for which the transaction will be eligible. DTC participants that are accepting the Exchange Offer must transmit their acceptances to DTC, which will verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at DTC. DTC will then send an Agent's Message to the Exchange Agent for its acceptance. 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. Nevertheless, in order for such acceptance

to constitute a valid tender of the DTC participant's Outstanding Notes, such participant must complete and sign a Letter of Transmittal and deliver it to the Exchange Agent before the Expiration Date.

- . CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution \_\_\_\_\_

Account Number \_\_\_\_\_

Transaction Code Number \_\_\_\_\_

Holders whose Outstanding Notes are not immediately available or who cannot deliver their Outstanding Notes and all other documents required hereby to the Exchange Agent on or prior to the Expiration Date must tender their Outstanding Notes according to the guaranteed delivery procedure set forth in the Prospectus under the caption "The Exchange Offer--Guaranteed Delivery Procedures." See Instruction 2.

- . CHECK HERE IF TENDERED OUTSTANDING NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:

Name of Registered Holder(s) \_\_\_\_\_

Name of Eligible Institution that Guaranteed Delivery \_\_\_\_\_

If delivery by book-entry transfer:

Account Number \_\_\_\_\_

Transaction Code Number \_\_\_\_\_

- . CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:

Name \_\_\_\_\_

Address \_\_\_\_\_

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a Prospectus in connection with any resale 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 principal amount of the Outstanding Notes indicated above. Subject to, and effective upon, the acceptance for exchange of such 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, including all rights to accrued and unpaid interest thereon as of the Expiration Date. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of the Issuer in connection with the Exchange Offer) to cause the Outstanding Notes to be assigned, transferred and exchanged. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Outstanding Notes and to acquire Exchange Notes issuable upon the exchange of such tendered Outstanding Notes, and that when the same are accepted for exchange, the Issuer will acquire good and unencumbered title to the tendered Outstanding Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim.

The undersigned represents to the Issuer that (i) the Exchange Notes acquired pursuant to the Exchange Offer are being obtained in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, and (ii) neither the undersigned nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes. If the undersigned or the person receiving the Exchange Notes covered hereby is a broker-dealer that is receiving the Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, the undersigned acknowledges that it or such other person will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale 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 and any such other person acknowledge that, if they are participating in the Exchange Offer for the purpose of distributing the Exchange Notes, (A) they cannot rely on the position of the staff of the Securities and Exchange Commission enunciated in Morgan Stanley & Co., Inc., Exxon Capital Holdings Corporation, as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale transaction and (B) failure to comply with such requirements in such instance could result in the undersigned or any such other person incurring liability under the Securities Act for which such persons are not indemnified by the Issuer. If the undersigned or the person receiving the Exchange Notes covered by this letter is an affiliate (as defined under Rule 405 of the Securities Act) of the Issuer, the undersigned represents to the Issuer that the undersigned understands and acknowledges that such Exchange Notes may not be offered for resale, resold or otherwise transferred by the undersigned or such other person without registration under the Securities Act or an exemption therefrom.

The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Issuer to be necessary or desirable to complete the exchange, assignment and transfer of tendered Outstanding Notes or transfer ownership of such Outstanding Notes on the account books maintained by a book-entry transfer facility. The undersigned further agrees that acceptance of any tendered Outstanding Notes by the Issuer and the issuance of Exchange Notes in exchange therefor shall constitute performance in full by the Issuer of their obligations under the Registration Rights Agreement and that the Issuer shall have no further obligation or liabilities thereunder for the registration of the Outstanding Notes or the Exchange Notes.

The Exchange Offer is subject to certain conditions set forth in the Prospectus under the caption "The Exchange Offer--Conditions to the Exchange Offer." The undersigned recognizes that as a result of these conditions (which may be waived, in whole or in part, by the Issuer), as more particularly set forth in the Prospectus, the Issuer may not be required to exchange any of the Outstanding Notes tendered hereby and, in such event, the Outstanding Notes not exchanged will be returned to the undersigned at the address shown below the signature of the undersigned.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Tendered Outstanding Notes may be withdrawn at any time prior to the Expiration Date.

Unless otherwise indicated in the box entitled "Special Registration Instructions" or the box entitled "Special Delivery Instructions" in this Letter of Transmittal, certificates for all Exchange Notes delivered in exchange for tendered Outstanding Notes, and any Outstanding Notes delivered herewith but not exchanged, will be registered in the name of the undersigned and shall be delivered to the undersigned at the address shown below the signature of the undersigned. If an Exchange Note is to be issued to a person other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address different than the address(es) shown on this Letter of Transmittal, the appropriate boxes of this Letter of Transmittal should be completed. If Outstanding Notes are surrendered by Holder(s) that have completed either the box entitled "Special Registration Instructions" or the box entitled "Special Delivery Instructions" in this Letter of Transmittal, signature(s) on this Letter of Transmittal must be guaranteed by an Eligible Institution (defined in Instruction 2).

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SPECIAL REGISTRATION INSTRUCTIONS

To be completed ONLY if the Exchange Notes are to be issued in the name of someone other than the undersigned.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Book-Entry Transfer Facility Account:

\_\_\_\_\_

Employee Identification or Social Security Number:

\_\_\_\_\_  
(Please print or type.)

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SPECIAL DELIVERY INSTRUCTIONS

To be completed ONLY if the Exchange Notes are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown under "Description of Outstanding Notes Tendered Hereby."

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(Please print or type.)

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REGISTERED HOLDER(S) OF OUTSTANDING NOTES  
OR DTC PARTICIPANT(S) SIGN HERE  
(In addition, complete Substitute Form W-9 below.)

X \_\_\_\_\_

X \_\_\_\_\_

(Signature(s) of Registered Holder(s) or DTC Participant(s))

Must be signed by registered holder(s) or DTC participant(s) exactly as 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 transmitted herewith. If signature is by attorney-in-fact, trustee, executor, administrator, guardian, officer of a corporation or other person acting in a fiduciary capacity, please provide the following information. (Please print or type):

Name and Capacity (full title):

\_\_\_\_\_

Address (including zip code):

\_\_\_\_\_

Area Code and Telephone Number:

\_\_\_\_\_

Taxpayer Identification or Social Security No.:

Dated: \_\_\_\_\_

SIGNATURE GUARANTEE  
(If Required-- See Instruction 5)

Authorized Signature:

\_\_\_\_\_

(Signature of Representative of Signature Guarantor)

Name and Title:

\_\_\_\_\_

Area Code and Telephone Number:

\_\_\_\_\_

(Please print or type.)

Dated: \_\_\_\_\_

\_\_\_\_\_

THIS SUBSTITUTE FORM W-9 MUST BE COMPLETED AND SIGNED

PLEASE PROVIDE YOUR SOCIAL SECURITY NUMBER OR OTHER TAXPAYER IDENTIFICATION NUMBER ON THE FOLLOWING SUBSTITUTE FORM W-9 AND CERTIFY THEREIN THAT YOU ARE NOT SUBJECT TO BACKUP WITHHOLDING.

SUBSTITUTE Form W-9 Part 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW. Social Security Number or Employer Identification Number

Department of the Treasury Internal Revenue Service

PART 2--Certification--Under the penalties of perjury, I certify that:

Payer's Request for Taxpayer Identification Number (TIN)

- (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
(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 (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.

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).

Sign Here =>

SIGNATURE DATE

Part 3-- Awaiting TIN .

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% 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 MUST 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, 31% of all reportable payments made to me will be withheld.

Signature Date

## INSTRUCTIONS

### FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

#### 1. Delivery of this Letter of Transmittal and Certificates.

All physically delivered Outstanding Notes or confirmation of any book-entry transfer to the Exchange Agent's account at a book-entry transfer facility of Outstanding Notes tendered by book-entry transfer, as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile thereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at any of its addresses set forth herein on or prior to the Expiration Date. The method of delivery of this Letter of Transmittal, the Outstanding Notes and any other required documents is at the election and risk of the Holder, and except as otherwise provided below, the delivery will be deemed made only when actually received by the Exchange Agent. If such delivery is by mail, it is suggested that registered mail with return receipt requested, properly insured, be used.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal (or facsimile thereof), shall waive any right to receive notice of the acceptance of the Outstanding Notes for exchange.

Delivery to an address other than as set forth herein, or instructions via a facsimile number other than the ones set forth herein, will not constitute a valid delivery.

#### 2. Guaranteed Delivery Procedures.

Holder who wish to tender their Outstanding Notes, but whose Outstanding Notes are not immediately available and thus cannot deliver their Outstanding Notes, this Letter of Transmittal or any other required documents to the Exchange Agent (or comply with the procedures for book-entry transfer) prior to the Expiration Date, may effect a tender if:

- (a) the tender is made through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17 Ad-15 under the Exchange Act (an "Eligible Institution");
- (b) prior to the Expiration Date, the Exchange Agent received from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the Holder, the registration number(s) of such Outstanding Notes and the principal amount of Outstanding Notes tendered, stating that the tender is being made thereby and guaranteeing that, within three (3) New York Stock Exchange trading days after the Expiration Date, the Letter of Transmittal (or facsimile thereof), together with the Outstanding Notes (or a confirmation of book-entry transfer of such Outstanding Notes into the Exchange Agent's account at DTC) and any other documents required by the Letter of Transmittal, will be deposited by the Eligible Institution with the Exchange Agent; and
- (c) such properly completed and executed Letter of Transmittal (or facsimile thereof), as well as all tendered Outstanding Notes in proper form for transfer (or a confirmation of book-entry transfer of such Outstanding Notes into the Exchange Agent's account at DTC) and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within three (3) New York Stock Exchange trading days after the Expiration Date.

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.

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 Global 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 form accompanying this Letter of Transmittal.

4. Partial Tenders; Withdrawals.

If less than the entire principal amount of Outstanding Notes evidenced by a submitted certificate is tendered, the tendering Holder should fill in the principal amount tendered in the column entitled "Principal Amount Tendered" of the box entitled "Description of Outstanding Notes Tendered Hereby." A newly issued Note 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. 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. 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 into the name of the person withdrawing the tender and (iv) specify the name in which any such Outstanding Notes are to be registered, if different from that of the Depositor. 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 retendered. Any Outstanding Notes which have been tendered but which are not accepted for exchange will be returned to the Holder thereof without cost to such Holder as soon as practicable after withdrawal, rejection of tender or termination of Exchange Offer.

5. Signature on this 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 with the name(s) as written on the face of the certificates without alteration or 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 as there are different registrations of Outstanding Notes.

Signatures of this Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution unless the Outstanding Notes tendered hereby are tendered (i) by a registered Holder who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

If this Letter of Transmittal is signed by the registered Holder or Holders of Outstanding Notes (which term, for the purposes described herein, shall include a participant in DTC whose name appears on a security 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 (or acting Holder) 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 Institution (except where the Outstanding Notes are tendered for the account of an Eligible Institution).

If this Letter of Transmittal, any certificates 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, proper evidence satisfactory to the Issuer of their authority so to act must be submitted.

#### 6. Special Registration and Delivery Instructions.

Tendering Holders should indicate, in the applicable box, the name and address (or account at DTC) in which the Exchange Notes or substitute Notes for principal amounts not tendered or not accepted for exchange are to be issued (or deposited), if different from the names and addresses or accounts 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.

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 acting Holder of the Outstanding Notes or deposited at such Holder's account at DTC.

#### 7. Transfer Taxes.

The Issuer shall pay all transfer taxes, if any, applicable to the transfer and exchange of Outstanding Notes to them or their order pursuant to the Exchange Offer. 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 exception therefrom is not submitted herewith, the amount of such transfer taxes will be collected from the tendering Holder by the Exchange Agent.

Except as provided in this Instruction, it will not be necessary for transfer stamps to be affixed to the Outstanding Notes listed in the Letter of Transmittal.

8. Waiver of Conditions.

The Issuer reserves the right, in its reasonable judgment, 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 contact the Exchange Agent at the address indicated above for further instructions.

10. 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(s) set forth above. In addition, all questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent, First Union National Bank, by calling (704) 590-7413.

11. Validity and Form.

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. The Issuer reserves the absolute right to reject any and all Outstanding Notes not properly tendered or any Outstanding Notes the Issuer's acceptance of which would, in the opinion of counsel for the Issuer, be unlawful. 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 shall incur any liability for failure to give such notification. Tenderees 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 federal income tax law, a Holder tendering Outstanding Notes is required to provide the Exchange Agent with such Holder's correct TIN on Substitute Form W-9 above. If such Holder is an individual, the TIN is the Holder's social security number. The Certificate of Awaiting Taxpayer Identification Number should be completed if the tendering Holder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future. If the Exchange Agent is not provided with the correct TIN, the Holder may be subject to a \$50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such Holder may be subject to backup withholding.

Certain Holders (including among others, all domestic corporations and certain foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements. Such a Holder, who satisfies one or more of the conditions set forth in Part 2 of the Substitute Form W-9 should execute the certification following such Part 2. In order for a foreign Holder to qualify as an exempt recipient, that Holder must submit to the Exchange Agent a properly completed Internal Revenue Service Form W-8, signed under penalties of perjury, attesting to that Holder's exempt status. Such forms can be obtained from the Exchange Agent.

If backup withholding applies, the Exchange Agent is required to withhold 31% of any amounts otherwise payable to the Holder. 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.

### Purpose of Substitute Form W-9

To prevent backup withholding on payments that are made to a Holder, the Holder is required to notify the Exchange Agent of his or her correct TIN by completing the form herein certifying that the TIN provided on Substitute Form W-9 is correct (or that such Holder is awaiting a TIN) and that (i) such Holder is exempt, (ii) such Holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of failure to report all interest or dividends or (iii) the Internal Revenue Service has notified such Holder that he or she is no longer subject to backup withholding.

### What Number to Give the Exchange Agent

Each Holder is required to give the Exchange Agent the social security number or employer identification number of the record Holder(s) of the Outstanding Notes. If Outstanding Notes are in more than one name or are not in the name of the actual Holder, consult the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, for additional guidance on which number to report.

### Certificate of Awaiting Taxpayer Identification Number

If the tendering Holder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, write "Applied For" in the space for the TIN on Substitute Form W-9, sign and date the form and the Certificate of Awaiting Taxpayer Identification Number and return them to the Exchange Agent. If such certificate is completed and the Exchange Agent is not provided with the TIN within 60 days, the Exchange Agent will withhold 31% of all payments made thereafter until a TIN is provided to the Exchange Agent.

**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.

K. HOVNIANIAN ENTERPRISES, INC.

Offer to Exchange

10 1/2% Outstanding Senior Notes due 2007  
for 10 1/2% Senior Notes due 2007  
that have been registered  
under the Securities Act of 1933

, 2000

To Securities Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

K. Hovnianian Enterprises, Inc. (the "Issuer") and Hovnianian Enterprises, Inc. and each of the other Guarantors (the "Guarantors", each a "Guarantor") are offering (the "Exchange Offer") to exchange \$1,000 in principal amount of the Issuer's 10 1/2% Senior Notes due 2007 that have been registered under the Securities Act of 1933, guaranteed by the Guarantors (the "Exchange Notes"), for each \$1,000 in principal amount of outstanding 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Outstanding Notes"). 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, upon the terms and subject to the conditions of the enclosed Prospectus, dated , 2000 (as the same may be amended or supplemented from time to time, the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"). 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 outstanding Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in exchange. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offer" include the Guarantor's 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 ARE ASKING YOU TO 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.

The Issuer will not pay any fees or commissions to any broker or dealer or other person 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.

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 clients' instructions with regard to 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.
4. A form of Notice of Guaranteed Delivery.
5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

Your prompt action is requested. The Exchange Offer will expire at 5:00 P.M., New York City time, on [        ], 2001, unless the Exchange Offer is extended by the Issuer. The time at which the Exchange Offer expires is referred to as the "Expiration Date." Tendered Outstanding Notes may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to 5:00 P.M. on the Expiration Date.

To participate in the Exchange Offer, certificates for Outstanding Notes, or a timely confirmation of a book-entry transfer of such Outstanding Notes into the Exchange Agent's account at the Depository Trust Company, together with a duly executed and properly completed Letter of Transmittal or facsimile thereof, 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 Letter of Transmittal and the Prospectus.

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 under "The Exchange Offer -- Guaranteed Delivery Procedures" and the Letter of Transmittal.

Additional copies of the enclosed material may be obtained from the Exchange Agent, First Union National Bank, by calling (704) 590-7413.

Very truly yours,

K. Hovnanian Enterprises, Inc.

NOTHING 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 MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS AND THE LETTER OF TRANSMITTAL.

## K. HOVNANIAN ENTERPRISES, INC.

## Offer to Exchange

10 1/2% Outstanding Senior Notes due 2007  
for 10 1/2% Senior Notes due 2007  
that have been registered  
under the Securities Act of 1933

\_\_\_\_\_, 2000

To Our Clients:

Enclosed for your consideration is a Prospectus, dated December \_\_, 2000 (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. Hovnanian Enterprises, Inc. (the "Issuer") and Hovnanian Enterprises, Inc. (the "Company"), the parent of the Issuer and most of the subsidiaries of the Company (the "Guarantors," and each a "Guarantor") to exchange \$1,000 principal amount of their 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Exchange Notes") which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement of which the Prospectus is a part, for each \$1,000 principal amount of their outstanding 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Outstanding Notes"), respectively. 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, upon the terms and subject to the conditions of the enclosed Prospectus, dated 2000 (as the same may be amended or supplemented from time to time, the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"). 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 outstanding Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in exchange. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offer" include the Guarantor's 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 carried by us for your account or benefit 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 Issuers urge 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. However, we urge you to read the Prospectus carefully before instructing us as to whether or not to tender your Outstanding Notes.

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 \_\_\_\_\_, 2001, 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, EXECUTING AND RETURNING TO US THE INSTRUCTION FORM ON THE REVERSE HEREOF. 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 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.

INSTRUCTIONS

INSTRUCTION TO REGISTERED HOLDER AND/OR DTC PARTICIPANT FROM BENEFICIAL OWNER  
OF  
10 1/2% Senior Notes due 2007

The undersigned acknowledge(s) receipt of the Prospectus dated \_\_\_\_\_, 2000 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. Hovnanian Enterprises, Inc. (the "Issuer") and Hovnanian Enterprises, Inc. (the "Company"), the parent of the Issuer and most of the subsidiaries of the Company (the "Guarantors," and each a "Guarantor") to exchange \$1,000 principal amount of their 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Exchange Notes") which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a registration statement of which the Prospectus is a part, for each \$1,000 principal amount of their outstanding 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Outstanding Notes"), respectively, upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal. Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you, the registered holder, as to the action to be taken by you relating to the Exchange Offer with respect to the Outstanding Notes held by you for the account of the undersigned.

The aggregate face amount of the Outstanding Notes held by you for the account of the undersigned is (fill in amount):

\$\_\_\_\_\_ of the Outstanding Notes.

With respect to the Exchange Offer, the undersigned hereby instructs you (check appropriate box):

To TENDER the following Outstanding Notes held by you for the account of the undersigned (insert principal amount of Outstanding Notes to be tendered, if any):

\$\_\_\_\_\_ of the Outstanding Notes.

NOT TO TENDER any Outstanding Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Outstanding Notes held by you for the account of the undersigned, it is understood that you are authorized (a) to make, on behalf of the undersigned (and the undersigned, by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner of the Outstanding Notes, including but not limited to the representations that (i) the undersigned is acquiring the Exchange Notes in the

ordinary course of business of the undersigned, (ii) the undersigned is not participating, does not intend to participate, and has no arrangement of understanding with any person to participate, in the distribution of Exchange Notes, (iii) the undersigned acknowledges that any person participating in the Exchange Offer for the purpose of distributing the Exchange Notes must comply with the registration and prospectus delivery requirements of the Securities Act of 1933 (the "Securities Act"), as amended, in connection with any resale transaction of the Exchange Notes acquired by such person and cannot rely on the position of the Staff of the Securities and Exchange Commission set forth in certain no-action letters (see the section of the Prospectus entitled "The Exchange Offer -- Resale of Exchange Notes"), (iv) the undersigned understands that a secondary resale transaction described in clause (iii) above should be covered by an effective registration statement containing the selling security holder information required by Item 507 of Regulation S-K of the Securities and Exchange Commission, (v) the undersigned is not an "affiliate," as defined in Rule 405 under the Securities Act, of the Issuer, (vi) if the undersigned is not a broker-dealer, that it is not participating in, does not intend to participate in, and has no arrangement or understanding with any person to participate in, the distribution of Exchange Notes and (vii) if the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes received in respect of such Outstanding Notes pursuant to the Exchange Offer, 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; (b) to agree, on behalf of the undersigned, as set forth in the Letter of Transmittal; and (c) to take such other action as necessary under the Prospectus or the Letter of Transmittal to effect the valid tender of Outstanding Notes.

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SIGN HERE

Name of Beneficial Owner(s): \_\_\_\_\_

Signatures(s): \_\_\_\_\_

Name(s) (please print): \_\_\_\_\_

Address(es): \_\_\_\_\_

Area Code and Telephone Number(s): \_\_\_\_\_

Taxpayer Identification or Social Security Number(s): \_\_\_\_\_

Date: \_\_\_\_\_

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NOTICE OF GUARANTEED DELIVERY  
With Respect to

K. HOVNANIAN ENTERPRISES, INC.

Offer to Exchange  
10 1/2% Outstanding Notes due 2007  
for 10 1/2% Senior Notes due 2007  
that have been registered  
under the Securities Act of 1933

This form must be used by a holder of the 10 1/2% Senior Notes due 2007, guaranteed by the Guarantors (the "Outstanding Notes") of K. Hovnanian Enterprises, Inc. (the "Issuer") who wishes to tender Outstanding Notes to the Exchange Agent pursuant to the guaranteed delivery procedures described in "The Exchange Offer -- Guaranteed Delivery Procedures" of the Prospectus dated [ ] \_\_\_\_\_, 2000 (the "Prospectus") and in Instruction 2 to the Letter of Transmittal. Any holder who wishes to tender Outstanding Notes pursuant to such guaranteed delivery procedures must ensure that the Exchange Agent receives this Notice of Guaranteed Delivery prior to the Expiration Date of the Exchange Offer. Capitalized terms not defined herein have the meanings ascribed to them in the Prospectus or the Letter of Transmittal.

To: First Union National Bank, Exchange Agent

By Overnight Mail or Courier:

First Union National Bank  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Hand:

First Union National Bank  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

By Mail:

First Union National Bank  
Attn: Marsha Rice  
Corporate Trust Operations Reorg  
1525 West W.T. Harris Blvd.  
Charlotte NC 28288-1153

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.

Please read the accompanying instructions carefully

Ladies and Gentlemen:

The undersigned hereby tenders to the Issuer, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Outstanding Notes specified below pursuant to the guaranteed delivery procedures set forth in the Prospectus and in Instruction 2 of the Letter of Transmittal. The undersigned hereby tenders the principal amount of Outstanding Notes listed below:

Certificate Number(s) (if known) of Outstanding Notes	Principal Amount Represented	Principal Amount Tendered

The Depository Trust Company  
(check if Outstanding Notes will be tendered by book-entry transfer)

Account Number: \_\_\_\_\_

SIGN HERE

Name of Holder: \_\_\_\_\_  
Signature(s): \_\_\_\_\_  
Name(s) (please print): \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Date: \_\_\_\_\_



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**GUARANTEE**  
(Not to be used for signature guarantee)

The undersigned, a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States, or is otherwise an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees deposit with the Exchange Agent of the Letter of Transmittal (or facsimile thereof), together with the Outstanding Notes tendered hereby in proper form for transfer and any other required documents, all by 5:00 p.m., New York City time, on the third business day following the Expiration Date.

SIGN HERE

Name of firm: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name (please print): \_\_\_\_\_

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Date: \_\_\_\_\_

DO NOT SEND NOTES WITH THIS FORM. ACTUAL SURRENDER OF NOTES MUST BE  
MADE PURSUANT TO, AND BE ACCOMPANIED BY, AN EXECUTED LETTER OF TRANSMITTAL.

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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 herein prior to the Expiration Date. 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 the holder, 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 the holder 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.
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, 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.

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.

3. 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 specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offer.