

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

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

**K. HOVNIANIAN  
ENTERPRISES, INC.**

California

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

1520

(Primary Standard Industrial Classification Code Number)

22-2423583

(I.R.S. Employer Identification Number)

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

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

**HOVNIANIAN  
ENTERPRISES, INC.**

Delaware

1531

22-1851059

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

**SEE TABLE OF ADDITIONAL REGISTRANTS**

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

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

*Copies to:*

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

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

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

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

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

**CALCULATION OF REGISTRATION FEE**

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount Of Registration Fee
6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015	\$200,000,000	100%(1)	\$200,000,000(1)	\$23,540(2)
Guarantees of 6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015	(3)	(3)	(3)	None(3)
6% Senior Subordinated Notes due 2010	\$100,000,000	100%(1)	\$100,000,000	\$11,770(2)
Guarantees of 6% Senior Subordinated Notes due 2010	(3)	(3)	(3)	None(3)
Total	\$300,000,000	100%(1)	\$300,000,000(1)	\$35,310(2)

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

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

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

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

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**TABLE OF ADDITIONAL REGISTRANTS**

Exact Name of Registrant As Specified in Its Charter	State or Other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address Including Zip Code, and Telephone Number Including Area Code, of Registrant's Principal Executive Offices
All Seasons, Inc.	MD	52-0855385	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Arrow Properties, Inc.	NJ	22-1945442	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Bowie New Town), Inc.	MD	52-2002262	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Largo Town), Inc.	MD	52-2002261	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Park Place), Inc.	MD	52-2002264	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Quail Run), Inc.	MD	52-2002265	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Truman Drive), Inc.	MD	52-2002263	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Consultants Corporation	MD	52-0856601	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Designed Contracts, Inc.	MD	52-0854124	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

EXC, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3178077	732-747-7800
Housing-Home Sales, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	52-0846210	732-747-7800
Hovnanian Developments of Florida, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	FL	22-2416624	747-7800
K. Hov International, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3188610	732-747-7800
K. Hov IP, II, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	57-1135061	732-747-7800
K. Hov IP, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	95-4892009	732-747-7800
K. Hovnanian Acquisitions, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3406671	732-747-7800
K. Hovnanian at Ashburn Village, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3178078	732-747-7800
K. Hovnanian at Ballantrae, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	FL	22-3309139	732-747-7800

K. Hovnanian at Barrington, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3583846	732-747-7800
K. Hovnanian at Belmont, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3253529	732-747-7800
K. Hovnanian at Bernards IV, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3292171	732-747-7800
K. Hovnanian at Branchburg III, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2961099	732-747-7800
K. Hovnanian at Bridgeport, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	22-3547807	732-747-7800
K. Hovnanian at Bridgewater VI, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3243298	732-747-7800
K. Hovnanian at Bull Run, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3192910	732-747-7800
K. Hovnanian at Burlington III, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3412130	732-747-7800
K. Hovnanian at Burlington, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2949611	732-747-7800

K. Hovnanian at Calabria, Inc.	CA	22-3324654	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cameron Chase, Inc.	VA	22-3459993	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carmel Del Mar, Inc.	CA	22-3320550	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Castile, Inc.	CA	22-3356308	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Chaparral, Inc.	CA	22-3565730	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Clarkstown, Inc.	NJ	22-2618176	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Crestline, Inc.	CA	22-3493450	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Dominguez Hills, Inc.	CA	22-3602177	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Dominion Ridge, Inc.	VA	22-3433318	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at East Brunswick VI, Inc.	NJ	22-2892496	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at East Whiteland I, Inc.	PA	22-3483220	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Exeter Hills, Inc.	VA	22-3331043	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Fair Lakes Glen, Inc.	VA	22-3261224	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Fair Lakes, Inc.	VA	22-3249049	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Freehold Township I, Inc.	NJ	22-2459186	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hackettstown, Inc.	NJ	22-2765936	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hampton Oaks, Inc.	VA	22-3583845	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hershey's Mill, Inc.	PA	22-3445102	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Highland Vineyards, Inc.	CA	22-3309241	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Holly Crest, Inc.	VA	22-3214275	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hopewell IV, Inc.	NJ	22-3345622	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hopewell VI, Inc.	NJ	22-3465709	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Howell Township, Inc.	NJ	22-2859308	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hunter Estates, Inc.	VA	22-3321100	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Kings Grant I, Inc.	NJ	22-2601064	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Klockner Farms, Inc.	NJ	22-2572442	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at La Terraza, Inc.	CA	22-3303807	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800



K. Hovnanian at La Trovata, Inc.	CA	22-3369099	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lakewood, Inc.	NJ	22-2618178	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Saucon II, Inc.	PA	22-3602924	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Saucon, Inc.	PA	22-2961090	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah II, Inc.	NJ	22-2859315	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah V, Inc.	NJ	22-2868663	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah VI, Inc.	NJ	22-3188612	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah VII, Inc.	NJ	22-2592139	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Manalapan, Inc.	NJ	22-2442998	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Marlboro II, Inc.	NJ	22-2748659	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township III, Inc.	NJ	22-2847875	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township IV, Inc.	NJ	22-3301196	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Metro DC South, Inc.	VA	22-3583847	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Monroe II, Inc.	NY	22-2718071	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montclair NJ, Inc.	NJ	22-2759221	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montclair, Inc.	VA	22-3188614	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montgomery I, Inc.	PA	22-3165601	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northern Westchester, Inc.	NJ	22-2814372	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Northlake, Inc.	CA	22-3336696	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ocean Township, Inc.	NJ	22-3094742	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ocean Walk, Inc.	CA	22-3565732	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at P.C. Properties, Inc.	VA	22-3583840	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Park Ridge, Inc.	VA	22-3253530	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Perkiomen I, Inc.	PA	22-3094743	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Perkiomen II, Inc.	PA	22-3301197	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Plainsboro III, Inc.	NJ	22-3027955	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Princeton, Inc.	NJ	22-3322125	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Rancho Cristianitos, Inc.	CA	22-3369102	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Reservoir Ridge, Inc.	NJ	22-2510587	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at River Oaks, Inc.	VA	22-3199603	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at San Sevaine, Inc.	CA	22-3493454	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Saratoga, Inc.	CA	22-3547806	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Scotch Plains II, Inc.	NJ	22-3464496	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Scotch Plains, Inc.	NJ	22-2380821	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Smithville, Inc.	NJ	22-1732674	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick III, Inc.	NJ	22-2652530	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at South Brunswick V, Inc.	NJ	22-2937570	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stone Canyon, Inc.	CA	22-3512641	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stony Point, Inc.	NJ	22-2758195	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stuart Road, Inc.	VA	22-3312918	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sully Station, Inc.	VA	22-3188746	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Summerwood, Inc.	VA	22-3583842	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sycamore, Inc.	CA	22-3493456	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tannery Hill, Inc.	NJ	22-3396608	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at The Bluff, Inc.	NJ	22-1841019	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at The Cedars, Inc.	NJ	22-3406664	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at The Glen, Inc.	VA	22-3618411	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Thornbury, Inc.	PA	22-3462983	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tierrasanta, Inc.	CA	22-3351875	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tuxedo, Inc.	NJ	22-3516266	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Union Township I, Inc.	NJ	22-3027952	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Upper Freehold Township I, Inc.	NJ	22-3415873	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Upper Makefield I, Inc.	PA	22-3302321	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Vail Ranch, Inc.	CA	22-3320537	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Wall Township VI, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2859303	732-747-7800
K. Hovnanian at Wall Township VIII, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3434643	732-747-7800
K. Hovnanian at Washingtonville, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NY	22-2717887	732-747-7800
K. Hovnanian at Wayne III, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2607669	732-747-7800
K. Hovnanian at Wayne V, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2790299	732-747-7800
K. Hovnanian at Wildrose, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	22-3312525	732-747-7800
K. Hovnanian at Woodmont, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	52-1785667	732-747-7800
K. Hovnanian Companies Northeast, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2445216	732-747-7800
K. Hovnanian Companies of California, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	22-3301757	732-747-7800

K. Hovnanian Companies of Maryland, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3331050	732-747-7800
K. Hovnanian Companies of Metro Washington, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3169584	732-747-7800
K. Hovnanian Companies of New York, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NY	22-2618171	732-747-7800
K. Hovnanian Companies of North Carolina, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NC	22-2765939	732-747-7800
K. Hovnanian Companies of Pennsylvania, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	22-2390174	732-747-7800
K. Hovnanian Companies of Southern California, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	22-3493449	732-747-7800
K. Hovnanian Construction II, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2246316	732-747-7800
K. Hovnanian Construction III, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-1945444	732-747-7800
K. Hovnanian Construction Management, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3406668	732-747-7800



K. Hovnanian Developments of Arizona, Inc.	AZ	31-1825442	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of California, Inc.	CA	22-3303806	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of D.C., Inc.	MD	<b>pending dissolution</b>	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Delaware, Inc.	DE	20-1528466	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Maryland, Inc.	MD	22-3331045	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Metro Washington, Inc.	VA	22-3188615	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Michigan, Inc.	MI	31-1826348	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Minnesota, Inc.	MN	20-1073868	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of New Jersey II, Inc.	CA	59-3762294	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian Developments of New Jersey, Inc.	CA	22-2664563	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of New York, Inc.	NY	22-2626492	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Ohio, Inc.	OH	32-0069376	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Pennsylvania, Inc.	PA	22-1097670	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of South Carolina, Inc.	SC	58-2659968	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Texas, Inc.	TX	22-3685786	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of West Virginia, Inc.	WV	31-1826831	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Equities, Inc.	NJ	21-0736206	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Forecast Homes, Inc.	CA	95-4892007	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian Homes of North Carolina, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NC	56-1458833	732-747-7800
K. Hovnanian Homes of Virginia, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	52-0898765	732-747-7800
K. Hovnanian Investment Properties of New Jersey, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2541361	732-747-7800
K. Hovnanian PA Real Estate, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	22-3188608	732-747-7800
K. Hovnanian Port Imperial Urban Renewal, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3027956	732-747-7800
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3017267	732-747-7800
K. Hovnanian Properties of North Brunswick V, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2057907	732-747-7800
K. Hovnanian Properties of Piscataway, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2859305	732-747-7800
K. Hovnanian Properties of Wall, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3244134	732-747-7800

KHC Acquisition, Inc.	CA	22-3303802	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Landarama, Inc.	NJ	22-1978612	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Long Branch, Inc.	NJ	22-3359254	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford of Delaware, Inc.	DE	22-3686728	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
MCNJ, Inc.	NJ	22-2722906	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Pine Brook Company, Inc.	NJ	22-1762833	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Que Corporation	MD	52-1723878	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Reflections of You Interiors, Inc.	TX	75-1967894	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Seabrook Accumulation Corporation	CA	33-0989615	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Stonebrook Homes, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	33-0553884	732-747-7800
The Matzel & Mumford Organization, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3670677	732-747-7800
The Southampton Corporation			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	52-0881406	732-747-7800
Washington Homes, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3774737	732-747-7800
Westminster Homes (Charlotte), Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NC	52-1970973	732-747-7800
Westminster Homes of Tennessee, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	TN	52-1973363	732-747-7800
Westminster Homes, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NC	52-1874680	732-747-7800
WH Land I, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	52-2073468	732-747-7800
WH Land II, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	52-1887626	732-747-7800

WH Properties, Inc.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	MD	52-1662973	
Arbor West, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	MD	52-1955560	
Dulles Coppermine, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	VA	31-1820770	
Edison Contract Services, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	20-1131408	
K. Hovnanian at 4S II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	CA	20-1618392	
K. Hovnanian at 4S, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	CA	73-1638455	
K. Hovnanian at Acqua Vista, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	CA	20-0464161	
K. Hovnanian at Aliso, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	CA	20-1218567	
K. Hovnanian at Arbor Heights, LLC			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	CA	33-0890775	

K. Hovnanian at Ashburn Village, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3681031	732-747-7800
K. Hovnanian at Barnegat I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3804316	732-747-7800
K. Hovnanian at Bella Lago, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1218576	732-747-7800
K. Hovnanian at Berkeley, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3644632	732-747-7800
K. Hovnanian at Bernards V, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3618587	732-747-7800
K. Hovnanian at Blooms Crossing, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3688865	732-747-7800
K. Hovnanian at Blue Heron Pines, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3630449	732-747-7800
K. Hovnanian at Brenbrooke, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3683842	732-747-7800
K. Hovnanian at Bridgewater I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	31-1820703	732-747-7800

K. Hovnanian at Bridlewood, L.L.C.	CA	20-1454077	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Camden I, L.L.C.	NJ	22-3845575	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Capistrano, L.L.C.	CA	20-1618465	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carmel Village, L.L.C.	CA	52-2147831	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cedar Grove III, L.L.C.	NJ	22-3818491	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cedar Grove IV, L.L.C.	NJ	20-1185029	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Chester I, L.L.C.	DE	22-3618347	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Chesterfield, L.L.C.	NJ	20-0916310	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at City in the Hills, L.L.C.	CA	20-1786974	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800



K. Hovnanian at Clifton II, L.L.C.	NJ	22-3862906	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Clifton, L.L.C.	NJ	22-3655976	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cortez Hill, L.L.C.	CA	31-1822959	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cranbury, L.L.C.	NJ	22-3814347	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Curries Woods, L.L.C.	NJ	22-3776466	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Denville, L.L.C.	NJ	03-0436512	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Deptford Township, L.L.C.	NJ	20-1254802	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Eastlake, LLC	CA	31-1820096	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Edgewater II, L.L.C.	NJ	20-0374534	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Edgewater, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	31-1825623	732-747-7800
K. Hovnanian at Egg Harbor Township, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	31-1826606	732-747-7800
K. Hovnanian at Encinitas Ranch, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	33-0890770	732-747-7800
K. Hovnanian at Florence I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-0982613	732-747-7800
K. Hovnanian at Florence II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-0982631	732-747-7800
K. Hovnanian at Forest Meadows, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	16-1639755	732-747-7800
K. Hovnanian at Franklin, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-1822595	732-747-7800
K. Hovnanian at Freehold Township, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-2500651	732-747-7800
K. Hovnanian at Gaslamp Square, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1454058	732-747-7800

K. Hovnanian at Great Notch, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3330582	732-747-7800
K. Hovnanian at Guttenberg, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3653007	732-747-7800
K. Hovnanian at Hackettstown II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-0412492	732-747-7800
K. Hovnanian at Hamburg Contractors, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3814175	732-747-7800
K. Hovnanian at Hamburg, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3795544	732-747-7800
K. Hovnanian at Hawthorne, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-0946954	732-747-7800
K. Hovnanian at Highwater, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1454037	732-747-7800
K. Hovnanian at Hudson Point, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	65-1161805	732-747-7800
K. Hovnanian at Jackson I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	56-2290802	732-747-7800

K. Hovnanian at Jackson, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3630450	732-747-7800
K. Hovnanian at Jersey City IV, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3655974	732-747-7800
K. Hovnanian at Jersey City V Urban Renewal Company, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	31-1818646	732-747-7800
K. Hovnanian at Kincaid, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3664456	732-747-7800
K. Hovnanian at King Farm, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3647924	732-747-7800
K. Hovnanian at La Costa, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	31-1820094	732-747-7800
K. Hovnanian at La Habra Knolls, LLC			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	31-1819908	732-747-7800
K. Hovnanian at Lafayette Estates, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3658926	732-747-7800
K. Hovnanian at Lake Rancho Viejo, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1337056	732-747-7800

K. Hovnanian at Lake Ridge Crossing, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3778537	732-747-7800
K. Hovnanian at Lake Terrapin, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	22-3647920	732-747-7800
K. Hovnanian at Lawrence V, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3638073	732-747-7800
K. Hovnanian at Linwood, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3663731	732-747-7800
K. Hovnanian at Little Egg Harbor Contractors, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3832077	732-747-7800
K. Hovnanian at Little Egg Harbor, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3795535	732-747-7800
K. Hovnanian at Long Branch I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	56-2308030	732-747-7800
K. Hovnanian at Lower Macungie Township I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	51-0427582	732-747-7800
K. Hovnanian at Lower Macungie Township II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	65-1161803	732-747-7800

K. Hovnanian at Lower Makefield Township I, L.L.C.	PA	22-3887471	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Moreland I, L.L.C.	PA	22-3785544	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Moreland II, L.L.C.	PA	22-3785539	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Manalapan II, L.L.C.	NJ	04-3649782	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield I, LLC	NJ	22-3556345	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield II, LLC	NJ	22-3556346	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield III, L.L.C.	NJ	22-3683839	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township IX, L.L.C.	NJ	20-1005879	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township V, L.L.C.	NJ	22-2741139	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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

K. Hovnanian at Millville I, L.L.C.	NJ	20-1562308	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Monroe III, L.L.C.	NJ	20-0876393	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montvale, L.L.C.	NJ	20-1584680	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mosaic, LLC	CA	55-0820915	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mt. Olive Township, L.L.C.	NJ	22-3813043	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Bergen II, L.L.C.	NJ	34-1997435	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Bergen, L.L.C.	NJ	22-2935352	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Brunswick VI, L.L.C.	NJ	22-3627814	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Caldwell II, L.L.C.	NJ	20-1185057	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800



K. Hovnanian at North Caldwell, L.L.C.	NJ	20-0412508	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Haledon, L.L.C.	NJ	22-3770598	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Wildwood, L.L.C.	NJ	5-3769684	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northampton, L.L.C.	PA	22-3785527	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northfield, L.L.C.	NJ	22-3665826	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Old Bridge, L.L.C.	NJ	55-0787042	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Olde Orchard, LLC	CA	51-0453906	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pacific Bluffs, L.L.C.	CA	33-0890774	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Paramus, L.L.C.	NJ	22-3687884	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Park Lane, L.L.C.	CA	33-0896285	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pittsgrove, L.L.C.	NJ	20-1562254	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Rancho Santa Margarita, L.L.C.	CA	33-0890773	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Randolph I, L.L.C.	NJ	01-0712196	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Readington II, L.L.C.	NJ	22-3085521	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Riverbend II, L.L.C.	CA	65-1161801	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Riverbend, L.L.C.	CA	33-0890777	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Roderuck, L.L.C.	MD	22-3756336	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Rowland Heights, L.L.C.	CA	22-2147833	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Sayreville, L.L.C.	NJ	22-3815459	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Scotch Plains, L.L.C.	NJ	20-1149329	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Shelf Company, L.L.C.	CA	20-1906844	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Smithville III, L.L.C.	NJ	22-2776387	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Somers Point, LLC	NJ	16-1639761	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Amboy, L.L.C.	NJ	22-3663105	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Bank, L.L.C.	MD	22-3655682	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick, L.L.C.	NJ	01-0618098	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Spring Hill Road, L.L.C.	MD	22-3688868	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Sunsets, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	33-0890768	732-747-7800
K. Hovnanian at Teaneck, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	20-1584240	732-747-7800
K. Hovnanian at the Crosby, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-0936364	732-747-7800
K. Hovnanian at the Gables, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	33-0890769	732-747-7800
K. Hovnanian at The Preserve, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1337079	732-747-7800
K. Hovnanian at Trail Ridge, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	33-0990615	732-747-7800
K. Hovnanian at Upper Freehold Township II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3655975	732-747-7800
K. Hovnanian at Upper Freehold Township III, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3666680	732-747-7800
K. Hovnanian at Upper Uwchlan II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	31-1820731	732-747-7800

K. Hovnanian at Upper Uwchlan, L.L.C.	PA	59-3763798	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wanaque, L.L.C.	NJ	22-3626037	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Washington, L.L.C.	NJ	22-3743403	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne IX, L.L.C.	NJ	22-3828775	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne VIII, L.L.C.	NJ	22-3618348	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at West Milford, L.L.C.	NJ	22-3740951	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at West Windsor, L.L.C.	NJ	22-3618242	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Willow Brook, L.L.C.	MD	22-3709105	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Winchester, L.L.C.	CA	52-2147836	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian at Woodhill Estates, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	01-0550781	732-747-7800
K. Hovnanian at Woolwich I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3828777	732-747-7800
K. Hovnanian at Yonkers I, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NY	20-1399287	732-747-7800
K. Hovnanian at Yonkers II, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NY	20-1399310	732-747-7800
K. Hovnanian at Yonkers III, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NY	20-1399330	732-747-7800
K. Hovnanian Central Acquisitions, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3556343	732-747-7800
K. Hovnanian Companies of Metro D.C. North, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	22-3683159	732-747-7800
K. Hovnanian Companies, LLC			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	59-3762298	732-747-7800
K. Hovnanian Eastern Pennsylvania, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	04-3630089	732-747-7800

K. Hovnanian Four Seasons at Historic Virginia, L.L.C.	VA	22-3647925	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Four Seasons at Gold Hill, L.L.C.	SC	31-1820161	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Great Western Building Company, L.L.C.	AZ	31-1825443	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Great Western Homes, L.L.C.	AZ	31-1825441	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Holdings NJ, L.L.C.	NJ	02-0651173	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes at Cameron Station, L.L.C.	VA	20-1169628	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes at Fairwood, L.L.C.	MD	47-0880125	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes at Laurel Highlands, L.L.C.	VA	20-1034880	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of D.C., L.L.C.	MD	<b>pending dissolution</b>	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

K. Hovnanian Homes of Delaware, L.L.C.	DE	20-1528482	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of Maryland, L.L.C.	MD	01-0737098	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of Minnesota, L.L.C.	MN	20-1200484	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of Pennsylvania, L.L.C.	MD	<b>pending dissolution</b>	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of South Carolina, L.L.C.	SC	20-1906844	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Homes of West Virginia, LLC	WV	54-1860514	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Investments, L.L.C.	NJ	20-0412455	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian North Central Acquisitions, L.L.C.	DE	22-3554986	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian North Jersey Acquisitions, L.L.C.	DE	22-3556344	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800



K. Hovnanian Northeast Services, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	16-1639452	732-747-7800
K. Hovnanian Ohio Realty, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	OH	32-0069376	732-747-7800
K. Hovnanian Pennsylvania Acquisitions, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	54-2064618	732-747-7800
K. Hovnanian Shore Acquisitions, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3556342	732-747-7800
K. Hovnanian South Jersey Acquisitions, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	DE	22-3556341	732-747-7800
K. Hovnanian Southern New Jersey, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	01-0648280	732-747-7800
K. Hovnanian Summit Holdings, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	31-1818027	732-747-7800
K. Hovnanian Summit Homes of Michigan, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MI	31-1826351	732-747-7800
K. Hovnanian Summit Homes of Pennsylvania, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	PA	20-0310776	732-747-7800

K. Hovnanian Summit Homes of West Virginia, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	WV	31-1826832	732-747-7800
K. Hovnanian Summit Homes, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	OH	32-0069379	732-747-7800
K. Hovnanian Windward Homes, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	FL	20-0301995	732-747-7800
K. Hovnanian's Four Seasons at Ashburn Village, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	20-0385213	732-747-7800
K. Hovnanian's Four Seasons at Bakersfield, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	20-1454116	732-747-7800
K. Hovnanian's Four Seasons at Dulles Discovery Condominium, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	20-1442155	732-747-7800
K. Hovnanian's Four Seasons at Dulles Discovery, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	VA	20-1169675	732-747-7800
K. Hovnanian's Four Seasons at Hemet, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	CA	47-0884181	732-747-7800

K. Hovnanian's Four Seasons at Kent Island Condominiums, L.L.C.	MD	20-1727101	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons at Kent Island, L.L.C.	MD	22-3668315	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons at Menifee Valley, L.L.C.	CA	20-1454143	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons at Palm Springs, L.L.C.	CA	57-1145579	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons at St. Margarets Landing, L.L.C.	MD	22-3688864	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons at Vint Hill, L.L.C.	VA	31-1828049	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons, L.L.C.	CA	52-2147837	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Private Home Portfolio, L.L.C.	NJ	22-3766856	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
KHIP, LLC	NJ	01-0752776	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Kings Court at Montgomery, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3825046	
M&M at Apple Ridge, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3824654	
M&M at Brookhill, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3824652	
M&M at Chesterfield, LLC			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	56-2290506	
M&M at East Mill, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	80-0036068	
M&M at Heritage Woods, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3824650	
M&M at Kensington Woods, LLC			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	31-1819907	
M&M at Morristown, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3834775	
M&M at Robert Morris, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-0514216	

M&M at Sheridan, L.L.C.	NJ	22-3825357	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at South Bound Brook, L.L.C.	NJ	20-0489677	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Sparta, L.L.C.	NJ	22-3825057	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spinnaker Pointe, L.L.C.	NJ	22-3825041	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Hollow, L.L.C.	NJ	22-3825064	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Meadows, L.L.C.	NJ	22-3825036	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Run, L.L.C.	NJ	22-3825037	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Tamarack Hollow, L.L.C.	NJ	20-2033836	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at The Highlands, L.L.C.	NJ	22-3824649	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

M&M at West Orange, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	55-0820919	
M&M at Wheatena Urban Renewal, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	20-1516521	
Matzel & Mumford at Cranbury Knoll, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3569945	
Matzel & Mumford at Egg Harbor, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	20-1706817	
Matzel & Mumford at Freehold, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3468991	
Matzel & Mumford at Heritage Landing, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3575932	
Matzel & Mumford at Montgomery, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3500542	
Matzel & Mumford at Phillipsburg, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3619267	
Matzel & Mumford at South Brunswick, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
	NJ	22-3445834	

Matzel & Mumford at Woodland Crest, L.L.C.	NJ	22-3575934	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
MMIP, L.L.C.	NJ	02-0651174	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Ridgemore Utility, L.L.C.	MD	31-1820672	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
South Market Venture, LLC	MD	37-1493190	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
The Landings at Spinnaker Pointe, L.L.C.	NJ	22-3825040	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes at Camp Springs, L.L.C.	MD	20-0812020	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes at Columbia Town Center, LLC	MD	22-3757772	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes at Forest Run, L.L.C.	MD	20-0812109	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes at Renaissance Plaza, L.L.C.	MD	20-0364144	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Washington Homes at Russett, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	20-1526150	732-747-7800
Westminster Homes of Alabama, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	63-1222540	732-747-7800
Westminster Homes of Mississippi, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	64-0907820	732-747-7800
Woodland Lakes Condos at Bowie Newtown, L.L.C.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	MD	06-1643401	732-747-7800
Goodman Family of Builders, L.P.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	TX	75-2653675	732-747-7800
K. Hovnanian of Houston II, L.P.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	TX	01-0750780	732-747-7800
K. Hovnanian of Houston, L.P.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	TX	01-0750780	732-747-7800
M&M Investments, L.P.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	NJ	22-3685183	732-747-7800
Washabama, L.P.			10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701
	AL	63-1231207	732-747-7800



PRELIMINARY PROSPECTUS

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



\$300,000,000

**K. Hovnanian Enterprises, Inc.**

Guaranteed by  
**Hovnanian Enterprises, Inc.**

**Offer to Exchange All Outstanding  
6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015  
(\$200,000,000 aggregate principal amount outstanding)  
for 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, which have been registered  
under the Securities Act of 1933  
and  
6% Senior Subordinated Notes due 2010  
(\$100,000,000 aggregate principal amount outstanding)  
for 6% Senior Subordinated Notes due 2010, which have been registered  
under the Securities Act of 1933**

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

The Exchange Offers:

- 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 offers.
- Each exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2005, unless extended. We do not currently intend to extend the expiration date of either exchange offer.
- The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for U.S. federal income tax purposes.
- We will not receive any proceeds from the exchange offers.

The Exchange Notes:

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

Resales of Exchange Notes:

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

**You should consider carefully the "Risk Factors" beginning on page 13 of this prospectus before participating in the exchange offers.**

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

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

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

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

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

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

- "Issuer" or "K. Hovnanian" means K. Hovnanian Enterprises, Inc., a California corporation;
- "Hovnanian," "us," "we," "our" or "Company" means Hovnanian Enterprises, Inc., a Delaware corporation, together with its consolidated subsidiaries, including K. Hovnanian; and
- "outstanding notes" means both the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and the 6% Senior Subordinated Notes due 2010 that were issued on November 30, 2004, "exchange notes" means the exchange notes offered hereby in exchange for the outstanding notes and "notes" means both the outstanding notes and the exchange notes.

### FORWARD-LOOKING STATEMENTS

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

## PROSPECTUS SUMMARY

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

### **The Company**

We design, construct, market and sell single-family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill and active adult homes in planned residential developments and are one of the nation's largest builders of residential homes. Originally founded in 1959 by Kevork Hovnanian, Hovnanian Enterprises, Inc. was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1982. Since the incorporation of our predecessor company, we have delivered in excess of 185,000 homes, including 14,586 homes in fiscal 2004. The Company consists of two operating groups: homebuilding and financial services. Our financial services group provides mortgage loans and title services to our homebuilding customers.

We are currently offering homes for sale in 275 communities in 24 markets in 13 states throughout the United States. We primarily market and build homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of home styles at base prices ranging from \$46,000 to \$1,350,000 with an average sales price, including options, of \$280,000 in fiscal 2004.

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

The following is a summary of our growth history:

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

1983—Completed initial public offering.

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

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

1994—Entered the Coastal Southern California market.

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

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

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

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

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

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

Hovnanian markets and builds homes that are constructed on-site in four regions which include 19 of the nation's top 50 housing markets. These four regions are the Northeast, Southeast, Southwest, and West.

Our geographic breakdown of markets by region is:

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

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

Southwest: Arizona and Texas

West: California

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

Our Corporate offices are located at 10 Highway 35, P. O. Box 500, Red Bank, New Jersey 07701, our telephone number is (732)747-7800, and our Internet website address is [www.khov.com](http://www.khov.com). We make available through our website our annual report on Form 10-K as soon as reasonably practicable after it is filed with the SEC. Copies of the Company's quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports are available free of charge upon request.

### Summary of the Terms of the Exchange Offers

*On November 30, 2004, K. Hovnanian completed private offerings of the outstanding notes.*

#### General

In connection with the private offerings of the outstanding notes, we entered into registration rights agreements with the initial purchasers of the outstanding notes in which the Issuer and the guarantors agreed, among other things, to deliver this prospectus to you and to complete exchange offers for the outstanding notes within the time period specified in the registration rights agreements. See "Exchange Offers; Registration Rights."

You are entitled to exchange in the exchange offers your outstanding notes for exchange notes, which are identical in all material respects to the outstanding notes except:

- the exchange notes have been registered under the Securities Act of 1933, as amended, which we refer to as the "Securities Act";
- the exchange notes are not entitled to certain registration rights which are applicable to the outstanding notes under the registration rights agreements; and
- certain additional interest rate provisions are no longer applicable.

Outstanding Notes	\$200,000,000 aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015, and \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010, which were issued on November 30, 2004.
Exchange Notes	\$200,000,000 aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015, and \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010, which we are offering in the exchange offers.
The Exchange Offers	<p>We are offering to exchange up to \$200,000,000 aggregate principal amount of our 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, which have been registered under the Securities Act and up to \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010, which have been registered under the Securities Act, in each case for a like aggregate principal amount of outstanding notes. In this prospectus, we refer to these offers individually as an "exchange offer" and collectively as the "exchange offers". You may only exchange outstanding notes in integral multiples of \$1,000.</p> <p>Subject to the satisfaction or waiver of specified conditions, we will exchange the exchange notes for outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the applicable exchange offer. We will cause the exchange to be effected promptly after the expiration of the applicable exchange offer.</p> <p>Upon completion of the exchange offers, there may be no market for the outstanding notes and you may have difficulty selling them.</p>
Resales	<p>Based on interpretations by the staff of the Securities and Exchange Commission, or the "SEC," set forth in no-action letters issued to third parties referred to below, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offers without complying with the registration and prospectus delivery requirements of the Securities Act, if:</p> <ol style="list-style-type: none"> <li>(1) you are not an "affiliate" of K. Hovnanian or any guarantor of the notes within the meaning of Rule 405 under the Securities Act;</li> <li>(2) you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and</li> <li>(3) you are acquiring the exchange notes in the ordinary course of your business.</li> </ol>

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

(1) you cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters; and

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

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

Expiration Date Each exchange offer will expire at 5:00 p.m., New York City time, on , 2005 unless extended by us. We do not currently intend to extend the expiration date of either exchange offer.

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

Interest on the Exchange Notes and the Outstanding Notes Each exchange note will bear interest at the rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from November 30, 2004. The interest will be payable semi-annually on each January 15 and July 15, beginning January 15, 2005. No interest will be paid on outstanding notes following their acceptance for exchange.

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

Procedures for Tendering Outstanding Notes

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

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

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

Special Procedures for Beneficial Owners

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

Guaranteed Delivery Procedures	If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal and any other documents required by the letter of transmittal or you cannot comply with the DTC procedures for book-entry transfer prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offers—Guaranteed Delivery Procedures."
Effect on Holders of Outstanding Notes	In connection with the sale of the outstanding notes, we entered into registration rights agreements with the initial purchasers of the outstanding notes, each of which grants the holders of outstanding notes registration rights. By making these exchange offers, we will have fulfilled most of our obligations under the registration rights agreements. Accordingly, we will not be obligated to pay additional interest as described in the registration rights agreements. If you do not tender your outstanding notes in an exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the applicable indenture, except we will not have any further obligation to you to provide for the registration of the outstanding notes under the applicable registration rights agreement and we will not be obligated to pay additional interest as described in the applicable registration rights agreement, except in certain limited circumstances. See "Exchange Offers; Registration Rights."
Consequences of Failure to Exchange	To the extent that outstanding notes are tendered and accepted in the exchange offers, the trading market for outstanding notes could be adversely affected.  All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the applicable indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the outstanding notes under the Securities Act.
Certain Income Tax Considerations	The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for United States federal income tax purposes. See "United States Federal Income Tax Consequences of the Exchange Offers."



Use of Proceeds

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

Exchange Agent

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

## Summary of the Terms of the Exchange Notes

The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the applicable registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 will be governed by the indenture under which the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 were issued. The exchange 6% Senior Subordinated Notes due 2010 will be governed by the indenture under which the outstanding 6% Senior Subordinated Notes due 2010 were issued.

### 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015

Issuer	K. Hovnanian Enterprises, Inc.
Notes Offered	We are offering \$200.0 million aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015.
Maturity Date	January 15, 2015.
Interest Payment Dates	Every January 15 and July 15, beginning January 15, 2005.
Optional Redemption	We may redeem the notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption, if any, plus a Make-Whole Amount. See "Description of Senior Notes—Redemption."
Change of Control	Upon a change of control as described in the section "Description of Senior Notes," you will have the right to require us to purchase some or all of the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of the notes.
Guarantees	The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make the payments instead. As of the date of this prospectus, our title insurance and home mortgage subsidiaries and certain joint ventures are not guarantors or restricted subsidiaries.
Ranking	The outstanding notes are, and the exchange notes will be, general obligations and, the outstanding notes are not, and the exchange notes will not be, secured by any collateral. Your right to payment under the notes will be: <ul style="list-style-type: none"><li>• junior to the rights of secured creditors to the extent of their security in our assets;</li><li>• equal with the rights of creditors under other unsecured senior debt, including our revolving credit facility; and</li><li>• senior to the rights of creditors under debt that is expressly subordinated to the notes, including the 6% Senior Subordinated Notes due 2010.</li></ul>

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

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

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

At October 31, 2004, assuming we had completed the offerings of the outstanding notes at that date, and assuming application of the net proceeds thereof, the Issuer and the guarantors would have had approximately \$1,253.4 million of debt (including the outstanding notes) outstanding, \$50.6 million of which would have been secured by certain assets of the Company and the guarantors and \$853.4 million of which would have been subordinated to the outstanding notes.

#### Certain Covenants

The indenture governing the notes contains covenants that, 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 Senior Notes—Certain Covenants."

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

## 6% Senior Subordinated Notes due 2010

Issuer	K. Hovnanian Enterprises, Inc.
Notes Offered	We are offering \$100.0 million aggregate principal amount of 6% Senior Subordinated Notes due 2010.
Maturity Date	January 15, 2010.
Interest Payment Dates	Every January 15 and July 15, beginning January 15, 2005.
Optional Redemption	We may redeem the notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption, if any, plus a Make-Whole Amount. See "Description of Senior Subordinated Notes—Redemption."
Change of Control	Upon a change of control as described in the section "Description of Senior Subordinated Notes," you will have the right to require us to purchase some or all of the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of the notes.
Guarantees	The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make the payments instead. As of the date of this prospectus, our title insurance and home mortgage subsidiaries and certain joint ventures are not guarantors or restricted subsidiaries.
Ranking	<p>The outstanding notes are, and the exchange notes will be, general obligations and, the outstanding notes are not, and the exchange notes will not be, secured by any collateral. Your right to payment under these notes will be:</p> <ul style="list-style-type: none"><li>• junior to the rights of secured creditors to the extent of their security in our assets;</li><li>• junior in right of payment to all our existing senior debt, including the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and our revolving credit facility;</li><li>• equal with the rights of creditors under other unsecured senior subordinated debt; and</li><li>• senior to the rights of creditors under debt that is expressly subordinated to the notes.</li></ul> <p>The guarantee of the outstanding notes of each of the guarantors is not, and, of the exchange notes, will 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 guarantors' assets;</li><li>• junior to the rights of creditors under the guarantors' unsecured senior debt;</li><li>• equal with the rights of creditors under the guarantors' other unsecured senior subordinated debt; and</li><li>• senior to the rights of creditors under the guarantors' debt that is expressly subordinated to the guarantee.</li></ul>

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

At October 31, 2004, assuming we had completed the offerings of the outstanding notes at that date, and assuming application of the net proceeds thereof, the Issuer and the guarantors would have had approximately \$1,253.4 million of debt (including the outstanding notes) outstanding, \$50.6 million of which would have been secured by certain assets of the Company and the guarantors and \$853.4 million of which would have been senior to the outstanding notes.

#### Certain Covenants

The indenture governing the notes contains covenants that, 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 Senior Subordinated Notes—Certain Covenants."

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

#### Provisions Common to Both Series of Notes

#### Absence of a Public Market

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

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

## RISK FACTORS

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

### **Risks Related to the Exchange Offers**

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

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

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

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

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

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

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

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

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

We have a significant amount of debt. On a pro forma basis after giving effect to the offerings of the outstanding notes and application of the net proceeds thereof:

- our debt, as of October 31, 2004, including the debt of the guarantors, would have been \$1,253.4 million;
- we would have had, as of October 31, 2004, \$719.4 million of borrowings available under our \$900.0 million revolving credit facility (net of \$180.6 million in letters of credit outstanding under the facility), subject to borrowing conditions, including a borrowing base;

- our debt service payments for the 12-month period ended October 31, 2004, which include interest incurred and mandatory principal payments on our corporate debt under the terms of our indentures (but which do not include principal and interest on non-recourse secured debt and debt of our financial subsidiaries), would have been \$105.1 million; and
- an increase of 1.0% in short-term interest rates (one-month LIBOR) would have increased our annual debt service at October 31, 2004 by approximately \$1.2 million.

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

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

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

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

The indentures governing the outstanding notes, and which will govern the exchange notes, and our other outstanding debt and our revolving credit facility impose restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, sales of assets and cash distributions by us and require us to comply with certain financial covenants listed in those indentures and our revolving credit facility. Our revolving credit facility prohibits payments (whether in the form of principal payments, note repurchases or similar items) on subordinated debt, including the outstanding subordinated notes, during a default and generally restricts such payments on such debt to a basket equal to a percentage of net income since February 2001. If we fail to comply with any of these restrictions or covenants, the trustees or the banks, as appropriate, could cause our debt to become due and payable prior to maturity.

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

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



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

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

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

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

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

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

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

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

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

The homebuilding industry has from time to time experienced raw material and labor shortages. In particular, shortages and fluctuations in the price of lumber or in other important raw materials could result in delays in the start or completion of, or increase the cost of, developing one or more of our residential communities. In addition, we contract with subcontractors to construct our homes. Therefore, the timing and quality of our construction depends on the availability, skill and cost of our subcontractors. Delays or cost increases caused by shortages and price fluctuations could harm our operating results, the impact of which may be further affected by our ability to raise sales prices.

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

Land inventory risk can be substantial for homebuilders. We must continuously seek and make acquisitions of land for expansion into new markets and for replacement and expansion of land inventory within our current markets. The market value of undeveloped land, buildable lots and

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

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

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

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

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

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

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

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

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

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

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

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

The competitive conditions in the homebuilding industry could result in:

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

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

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

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

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

Acquisitions have contributed to our growth and are a component of our growth strategy. We have recently announced several acquisitions or mergers, including the Summit Homes acquisition in Ohio, which closed in April 2003, the Great Western Homes acquisition in Phoenix, Arizona, which closed in August 2003, and the Windward Homes acquisition in Tampa, Florida, which closed in November 2003. Consistent with this strategy, we continue to engage in discussions with and evaluate potential acquisition targets, some of which may be significant, although we currently have no binding definitive agreements for any significant acquisitions. In the future, we may acquire other businesses. As a result of these acquisitions, we may need to seek additional financing, integrate product lines, dispersed operations and distinct corporate cultures. These integration efforts may not succeed or may distract our management from operating our existing business. Additionally, we may not be able to enhance our earnings as a result of acquisitions. Our failure to successfully manage future acquisitions could harm our operating results.

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

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

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

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

**Risks Related to the Notes**

***After completion of the offerings of the outstanding notes we had, and after completion of the offerings of the exchange notes we will have, a significant amount of indebtedness and we may incur additional indebtedness.***

At October 31, 2004, assuming we had completed the offerings of the outstanding notes at that date and on a pro forma basis for the application of the net proceeds thereof, the Issuer and the guarantors would have had approximately \$1,253.4 million of debt (including the outstanding notes) outstanding. We and our subsidiaries may incur additional indebtedness in the future. Subject to certain conditions, the terms of the indentures under which the outstanding notes were, and the exchange notes will be, issued and our other existing debt instruments do not prohibit us or our subsidiaries from incurring additional indebtedness. If indebtedness is added to our current debt levels, the risks related to the notes and our indebtedness generally that we and our subsidiaries now face could intensify.

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

The outstanding notes are not, and the exchange notes will not be, secured by any of our assets and outstanding notes are not, and the exchange are and will be, subordinated to any of our existing and future secured indebtedness. Accordingly, in the event of our bankruptcy, liquidation or any similar proceeding, holders of the notes will be entitled to payment only after the holders of any of our secured indebtedness have been paid. As of October 31, 2004, assuming we had completed the offerings of the outstanding notes at that date and on a pro forma basis for the application of the net proceeds thereof, we would have had approximately \$50.6 million of secured indebtedness outstanding. Subject to certain limits in the indentures under which the outstanding notes were, and the exchange notes will be, issued and our other existing debt instruments, we will be able to incur additional secured obligations.

***The senior subordinated notes and the subordinated guarantees will effectively be junior to some of our debt and other liabilities.***

The outstanding 6% Senior Subordinated Notes due 2010 and the guarantees thereof and the exchange 6% Senior Subordinated Notes due 2010 and the guarantees thereof rank junior to all of our

existing and future "Senior Indebtedness," as defined in the subordinated indenture. Senior Indebtedness includes all indebtedness of the Issuer and the guarantors under our revolving credit facility and senior notes, including the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, and also includes lease obligations and the deferred and unpaid balance of the purchase price of any property, other than certain accounts payable and other indebtedness to trade creditors created in the ordinary course of business, as well as other debt and obligations. As a result of the subordination of the outstanding 6% Senior Subordinated Notes due 2010 and of the exchange 6% Senior Subordinated Notes due 2010, if the Issuer or any guarantor becomes insolvent or enters into a bankruptcy or similar proceeding, then the holders of the Issuer's or that guarantor's Senior Indebtedness must be paid in full before a holder of outstanding 6% Senior Subordinated Notes due 2010 or exchange 6% Senior Subordinated Notes due 2010 is paid. In addition, the Issuer and the guarantors cannot make any cash payments to a holder of senior subordinated notes if the Issuer or such guarantor has failed to make payments to holders of its Senior Indebtedness. Under certain circumstances, the Issuer and the guarantors cannot make any payments to a holder of outstanding 6% Senior Subordinated Notes due 2010 or exchange 6% Senior Subordinated Notes due 2010 for a period of up to 120 days if the Issuer or a guarantor has defaulted, other than failures to make payments, under Senior Indebtedness covenants. See "Description of Senior Subordinated Notes—Subordination" for a more complete description of the subordination provisions of the subordinated indenture. At October 31, 2004, assuming we had completed the offerings of the outstanding notes at that date and assuming application of the net proceeds thereof, the outstanding 6% Senior Subordinated Notes due 2010 and the guarantees thereof would have ranked junior in right of payment to \$853.4 million of debt constituting Senior Indebtedness. In addition, the outstanding 6% Senior Subordinated Notes due 2010 and the guarantees thereof and the exchange 6% Senior Subordinated Notes due 2010 and the guarantees thereof are also subordinated contractually to other obligations of the Issuer and the guarantors that constitute Senior Indebtedness, including certain obligations to general creditors. The subordinated indenture, subject to certain limitations, permits the Issuer and the guarantors to incur additional indebtedness that is Senior Indebtedness and does not contain any limitation on the ability of the Issuer and the guarantors to incur Senior Indebtedness that does not constitute Indebtedness as defined in the subordinated indenture.

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

You will not have any claim as a creditor against any of our non-guarantor subsidiaries, and indebtedness and other liabilities, including trade payables, of those subsidiaries will effectively be senior to your claims against those subsidiaries. At October 31, 2004, our non-guarantor subsidiaries had \$226.9 million of outstanding liabilities, including trade payables. In addition, the indentures under which the outstanding notes were, and the exchange notes will be, issued will, subject to certain limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

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

If a change of control occurs as described in the section "Description of Senior Notes—Certain Covenants" and "Description of Senior Subordinated Notes—Certain Covenants" we would be required to offer to purchase your notes at 101% of their principal amount together with all accrued and unpaid interest, if any, to the date of purchase. If a purchase offer obligation arises under the indenture governing your notes, a change of control will have also occurred under other indentures governing our debt. Our revolving credit facility currently provides that certain change of control events will constitute a default and could result in the acceleration of the indebtedness outstanding thereunder. Our revolving credit facility prohibits us from repurchasing subordinated notes upon a default. Any of our

future debt agreements may contain similar restrictions and provisions. If a purchase offer were required under the indentures for our debt, we may not have sufficient funds to pay the purchase price for all debt that we are required to repurchase or repay. After giving effect to the offerings of the outstanding notes, we did not have sufficient funds available to purchase all of such outstanding debt.

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

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

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

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

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

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

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

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

## RATIO OF EARNINGS TO FIXED CHARGES

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

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

	Year Ended October 31,				
	2004	2003	2002	2001	2000
Ratio of earnings to fixed charges	6.3	6.7	4.7	3.1	2.1

## USE OF PROCEEDS

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

We used a portion of the net proceeds from the private offerings of the outstanding notes to repay all of outstanding indebtedness under our revolving credit facility as of November 30, 2004, and we used the remainder for general corporate purposes.



## CAPITALIZATION

The following table sets forth our capitalization as of October 31, 2004 and on an as adjusted basis to give effect to the offerings of the outstanding notes and the application of the net proceeds thereof. This table should be read in conjunction with our consolidated financial statements and the related notes thereto and the other financial information included and incorporated by reference in this prospectus.

	As of October 31, 2004	
	Actual	As Adjusted
(Dollars in thousands)		
<b>Debt (1):</b>		
Revolving credit facility (2)	\$ 115,000	\$ —
Nonrecourse land mortgages	25,687	25,687
Nonrecourse mortgages secured by operating property	24,951	24,951
10 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2007	138,428	138,428
8% Senior Notes due 2012	99,309	99,309
6 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2014	215,000	215,000
6 <sup>3</sup> / <sub>8</sub> % Senior Notes due 2014	150,000	150,000
6 <sup>1</sup> / <sub>4</sub> % Senior Notes due 2015	—	200,000
6% Senior Subordinated Notes due 2010	—	100,000
8 <sup>7</sup> / <sub>8</sub> % Senior Subordinated Notes due 2012	150,000	150,000
7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2013	150,000	150,000
	\$ 1,068,375	\$ 1,253,375
<b>Stockholders' Equity:</b>		
Preferred Stock, \$.01 par value; 100,000 shares authorized; none issued	—	—
Common Stock, Class A, \$.01 par value; 200,000,000 shares authorized; 56,797,313 issued (including 10,395,656 held in treasury)	568	568
Common Stock, Class B, \$.01 par value; 30,000,000 shares authorized; 15,376,972 issued (including 691,748 held in treasury)	154	154
Paid in capital	199,643	199,643
Retained Earnings	1,053,863	1,053,863
Deferred Compensation	(11,784)	(11,784)
Treasury stock — at cost	(50,050)	(50,050)
	1,192,394	1,192,394
<b>Total capitalization</b>	<b>\$ 2,260,769</b>	<b>\$ 2,445,769</b>

- (1) References to our consolidated debt in this prospectus exclude debt under our mortgage warehouse line and bonds collateralized by mortgages receivable.
- (2) Our revolving credit facility provides for \$900 million of borrowings, subject to customary borrowing conditions, including a borrowing base, that would have allowed, on an as adjusted basis, \$558 million of total borrowings at October 31, 2004.

**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

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

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

	Year Ended October 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands, except per share data)				
<b>Income Statement Data</b>					
Revenues	\$ 4,160,403	\$ 3,201,857	\$ 2,551,106	\$ 1,741,990	\$ 1,135,559
Expenses	3,610,631	2,790,339	2,325,376	1,635,636	1,083,741
Income before income taxes	549,772	411,518	225,730	106,354	51,818
State and federal income taxes	201,091	154,138	88,034	42,668	18,655
Net Income	\$ 348,681	\$ 257,380	\$ 137,696	\$ 63,686	\$ 33,163
<b>Per Share Data</b>					
Basic:					
Net Income	\$ 5.63	\$ 4.16	\$ 2.26	\$ 1.19	\$ 0.76
Weighted average number of common shares outstanding	61,892	61,920	60,810	53,620	43,866
Assuming Dilution:					
Net Income	\$ 5.35	\$ 3.93	\$ 2.14	\$ 1.15	\$ 0.75
Weighted average number of common shares outstanding	65,133	65,538	64,310	55,584	44,086
<b>Balance Sheet Data</b>					
Total assets	\$ 3,156,267	\$ 2,332,371	\$ 1,678,128	\$ 1,064,258	\$ 873,541
Mortgages, term loans and notes payable	\$ 354,055	\$ 326,216	\$ 215,365	\$ 111,795	\$ 78,206
Senior notes and senior subordinated notes	\$ 902,737	\$ 687,166	\$ 546,390	\$ 396,544	\$ 396,430
Stockholders' equity	\$ 1,192,394	\$ 819,712	\$ 562,549	\$ 375,646	\$ 263,359

**General**

K. Hovnanian hereby offers to exchange in respect of any and all of the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and the 6% Senior Subordinated Notes due 2010 a like principal amount of exchange notes in each case, on the terms and subject to the conditions set forth in this prospectus and accompanying letter of transmittal. We refer to each of these offers individually as an "exchange offer" and collectively as the "exchange offers." You may tender some or all of your outstanding notes pursuant to the exchange offers.

As of the date of this prospectus, \$200,000,000 aggregate principal amount of the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and \$100,000,000 aggregate principal amount of the 6% Senior Subordinated Notes due 2010 are outstanding. This prospectus, together with the letter of transmittal, is first being sent to all holders of outstanding notes known to us on or about [redacted], 2005. K. Hovnanian's obligation to accept outstanding notes for exchange pursuant to either of the exchange offers is subject to certain conditions set forth under "—Conditions to each Exchange Offer" below. K. Hovnanian currently expects that each of the conditions will be satisfied and that no waivers will be necessary.

**Purpose and Effect of each Exchange Offer**

We entered into registration rights agreements with the initial purchasers of the outstanding notes and in each registration rights agreement, we agreed, under certain circumstances, to file a registration statement relating to an offer to exchange the outstanding notes for exchange notes by February 28, 2005. We also agreed to use our reasonable best efforts to cause such offer to be consummated on the earliest practicable date after the registration statement has become effective but in no event later than 40 business days thereafter. The exchange notes will have terms substantially identical to the terms of the outstanding notes for which they are exchanged, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the applicable registration rights agreement. The outstanding notes were issued on November 30, 2004.

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

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

If we fail to comply with certain obligations under a registration rights agreement, we will be required to pay additional interest to holders of the outstanding notes and the exchange notes required to be registered on a shelf registration statement pursuant to such registration rights agreement. Please

read the section "Exchange Offers; Registration Rights" for more details regarding the registration rights agreements.

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

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

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

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

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

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

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

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

This prospectus may be used for an offer to resell, for resale or for other retransfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the outstanding notes as a result of market-making activities or other trading activities may participate in an 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 Offers

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

The form and terms of the exchange notes will be substantially identical to the form and terms of the outstanding notes for which they are exchanged, except that the exchange notes will be registered under the Securities Act and will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreements. The exchange notes will evidence the same debt as the outstanding notes. The notes issued in exchange for the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015. The notes issued in exchange for the outstanding 6% Senior Subordinated Notes due 2010 will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the outstanding 6% Senior Subordinated Notes due 2010. For a description of the indentures, see "Description of the Notes."

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

As of the date of this prospectus, \$200,000,000 aggregate principal amount of the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and \$100,000,000 aggregate principal amount of the outstanding 6% Senior Subordinated Notes due 2010 are outstanding. This prospectus and a letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offers.

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

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

Holders who tender outstanding notes in an 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 offers. It is important that you read "—Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offers.

## Expiration Date; Extensions, Amendments

As used in this prospectus and with respect to each of the exchange offers, the term "expiration date" means 5:00 p.m., New York City time, on \_\_\_\_\_, 2005. However, if we, in our sole discretion, extend the period of time for which an exchange offer is open, the term "expiration date" will mean the latest time and date to which we shall have extended the expiration of such exchange offer. We may extend one exchange offer without extending the other.

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

We reserve the right, in our sole discretion:

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

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

## Conditions to each Exchange Offer

Despite any other term of an 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 each exchange offer as provided in this prospectus before accepting any outstanding notes subject to such exchange offer for exchange if with respect to each exchange offer considered separately:

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

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

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

We expressly reserve the right at any time or at various times to extend the period of time during which each 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 applicable 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 applicable exchange offer.

We expressly reserve the right to amend or terminate each 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 offers specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the outstanding notes subject to the exchange offer being extended or amended as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

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

### **Procedures for Tendering**

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

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

In addition, either:

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

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

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

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

request that their respective brokers, dealers, commercial banks, trust companies or other nominees effect the above transactions for them.

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

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

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

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

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

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

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

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



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

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

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

## Acceptance of Exchange Notes

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

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

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

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

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

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

In addition, each broker-dealer that is to receive exchange notes for its own account in exchange for outstanding notes must represent that such outstanding notes were acquired by that broker-dealer as a result of market-making activities or other trading activities and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a

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

We will interpret the terms and conditions of the exchange offers, 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 either 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 either exchange offer.

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

### **Guaranteed Delivery Procedures**

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

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

### **Withdrawal Rights**

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

For a withdrawal to be effective:

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

Any notice of withdrawal must:

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

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

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

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

#### **Exchange Agent**

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

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

Delivery to: Wachovia Bank, National Association, Exchange Agent

*By Mail:*

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

*By Overnight Mail or Courier  
Delivery:*

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

*By Hand:*

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

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

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

*For Information:  
(704) 590-7413*

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

#### **Fees and Expenses**

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

We have not retained any dealer-manager in connection with the exchange offers and will not make any payment to broker-dealers or others for soliciting acceptances of either 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 offers. The expenses are estimated in the aggregate to be approximately \$146,000. They include:

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

#### **Accounting Treatment**

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

## Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offers. 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 an exchange offer.

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

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

## Consequences of Failure to Exchange

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

- as set forth in the legend printed on the notes as a consequence of the issuance of the outstanding notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and
- otherwise set forth in the offering circular distributed in connection with the private offerings 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 agreements, we do not intend to register resales of the outstanding notes under the Securities Act. Based on interpretations of the staff of the SEC, exchange notes issued pursuant to the exchange offers may be offered for resale, resold or otherwise transferred by their holders without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

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

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

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

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

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

**Other**

Participating in either 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 offers or to file a registration statement to permit resales of any untendered outstanding notes.

## DESCRIPTION OF THE NOTES

*In this section, references to the "Company" means Hovnanian Enterprises, Inc., a Delaware corporation, and does not include any of its subsidiaries or K. Hovnanian Enterprises, Inc., and references to the "Issuer", "us", "we" or "our" means K. Hovnanian Enterprises, Inc., a California corporation. References to "Senior Notes" in this section are references to the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, references to the "Senior Subordinated Notes" in this section are references to the 6% Senior Subordinated Notes due 2010 and references to "Senior Notes" or "Senior Subordinated Notes" in this section are references to both outstanding notes and exchange notes of the Senior Notes or Senior Subordinated Notes, as applicable, unless otherwise specified.*

We are offering to exchange the outstanding Senior Notes for \$200,000,000 aggregate principal amount of 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and the outstanding Senior Subordinated Notes for \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010.

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

### 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015

References to "outstanding notes" and "exchange notes" in this section mean only the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015.

The Issuer issued the outstanding notes, and will issue the exchange notes described in this prospectus, under an indenture, dated as of November 30, 2004 (the "**Senior Indenture**"), among the Issuer, the Company, the other guarantors party thereto and Wachovia Bank, National Association, as trustee (the "**Trustee**"). The following is a summary of the material terms and provisions of the Senior Notes. The terms of the Senior Notes include those stated in the Senior Indenture and those made part of the Senior Indenture by reference to the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), as in effect on the date of the Senior Indenture. The Senior Notes are subject to all such terms, and prospective participants in the exchange offer with respect to the outstanding notes should refer to the Senior Indenture and the Trust Indenture Act for a statement of such terms. The form and terms of the exchange notes and the outstanding notes are identical in all material respects, except that the exchange notes will be registered under the Securities Act and will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement with respect to the outstanding notes.

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

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

The exchange notes will bear interest at the rate *per annum* shown on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from November 30, 2004. The interest will be payable semi-annually on January 15 and July 15 of each year, commencing January 15, 2005, to Holders of record at the close of business on January 1 or July 1, as the case may be, immediately preceding each such interest payment date. The Senior Notes will mature on January 15, 2005. The exchange notes will be issued in denominations of \$1,000 and integral multiples thereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Senior Indenture does not limit the maximum aggregate principal amount of securities that the Issuer may issue thereunder. The Issuer will issue an aggregate principal amount of \$200.0 million of exchange notes in this offering. The Issuer may issue additional notes of the same series as the outstanding notes and the exchange notes (the "**Additional Notes**") from time to time after this offering. The Senior Notes and any Additional Notes subsequently issued under the Senior Indenture would be treated as a single series for all purposes under the Senior Indenture including, without limitation, waivers, amendments, redemption and offers to purchase. Any offering of Additional Notes under the Senior Indenture is subject to the covenant described below under the caption "**Certain Covenants—Limitations on Indebtedness.**"

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

### **Ranking**

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

Secured creditors of the Company, the Issuer and the other Guarantors have a claim on the assets which secure the obligations of the Company and the Guarantors to such creditors prior to claims of Holders of the notes against those assets. At October 31, 2004, assuming we had completed the offering of the outstanding notes and the outstanding 6% Senior Subordinated Notes due 2010 and the application of the net proceeds thereof at that date, the Issuer and the Guarantors would have had approximately \$1,253.4 million (including the outstanding notes) of Indebtedness outstanding, \$50.6 million of which would have been secured by certain real estate assets of the Company and the Guarantors and \$853.4 million of which would have been subordinated to the notes.

### **The Senior Guarantees**

The Company and each of the Guarantors will (so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary) unconditionally guarantee on a joint and several basis all of our obligations under the Senior Notes, including our obligations to pay principal, premium, if any, and interest with respect to the Senior Notes. The Guarantees will be general unsecured obligations of the Company and the Guarantors and will rank *pari passu* with all existing and future unsecured



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

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

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

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

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

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon notice from the Company to the 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.

### **Redemption**

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

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

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

- (1) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the business day preceding the date of such redemption) plus 0.5%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over
- (2) the principal amount of the Senior Note being redeemed.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Senior Note, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), equal to the then remaining maturity of the Senior Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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

### **Selection and Notice**

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

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

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

the name of the Holder thereof upon cancellation of the original Senior Note. Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of them called for redemption.

### Certain Covenants

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

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

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

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

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

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

The Senior Indenture requires the payment of money for Senior Notes or portions thereof validly tendered to, and accepted for payment by, the Issuer pursuant to a Change of Control offer. In the event that a Change of Control has occurred under the Senior Indenture, a change of control will also have occurred under the indentures governing the Issuer's 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2014, 8% Senior

Notes due 2012, 6% Senior Subordinated Notes due 2010, 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013, 8<sup>7</sup>/<sub>8</sub>% Senior Subordinated Notes due 2012 and 10<sup>1</sup>/<sub>2</sub>% Senior Notes due 2007 and under the revolving credit facility and the term loan facility. If a Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds to pay the purchase price for all Senior Notes and amounts due under other Indebtedness that the Company may be required to repurchase or repay or that the Company or the other Guarantors would be able to make such payments. In the event that the Issuer were required to purchase outstanding Senior Notes pursuant to a Change of Control offer, the Company expects that it would need to seek third-party financing to the extent it does not have available funds to enable the Issuer to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

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

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

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

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

- (1) Permitted Indebtedness,
- (2) Refinancing Indebtedness,
- (3) Non-Recourse Indebtedness,
- (4) any guarantee of Indebtedness represented by the Senior Notes or 6% Senior Subordinated Notes due 2010, and
- (5) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Senior Indenture.

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

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

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

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

*Limitations on Restricted Payments.* The Senior Indenture 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 Senior Indenture;
- (B) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and
- (C) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999;

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

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

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

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

length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

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

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

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

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

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

- (a) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and

- (b) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities.

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

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

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

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

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



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

except for:

- (a) encumbrances or restrictions existing under or by reason of applicable law,
- (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on the Issue Date,
- (c) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided, however*, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Senior Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,
- (f) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Senior Indenture,
- (g) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (h) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (i) encumbrances or restrictions existing under or by reason of the Senior Indenture or the Senior Notes,
- (j) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph,
- (k) Liens permitted under the Senior Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

- (l) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (m) customary provisions of any franchise, distribution or similar agreements,
- (n) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (o) any encumbrance or restrictions of the type referred to in clauses (1), (2) or (3) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (n) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

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

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

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

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

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

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

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

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

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

## Events of Default

The following are Events of Default under the Senior Indenture:

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

(b) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(c) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary,

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

(9) any 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 Senior Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Senior Indenture and the 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 Senior Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to covenants described under "Certain Covenants—Repurchase of Senior Notes upon Change of Control" and "Certain Covenants—Limitations on Mergers, Consolidations and Sales of Assets") the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

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

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

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

Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

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

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

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

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

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

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

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

- rights of registration of transfer and exchange of Senior Notes;
- rights of substitution of mutilated, defaced, destroyed, lost or stolen Senior Notes;

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

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

#### **Transfer and Exchange**

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

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

Subject to certain exceptions, the Senior Indenture or the Senior Notes may be amended or supplemented with the consent (which may include written consents obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of at least a majority in principal amount of the Senior Notes then outstanding, and future compliance with any provision of the Senior Indenture or the Senior Notes may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the Senior Notes) with the consent (which may include waivers obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of a majority in principal amount of the Senior Notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Trustee may amend or supplement the Senior Indenture or the Senior Notes to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the Senior Indenture; to comply with any requirements of the Commission in connection with the qualification of the Senior Indenture under the Trust Indenture Act; to evidence and provide for the acceptance of appointment under the Senior Indenture by a successor Trustee; to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes; to provide for any Guarantee of the Senior Notes; to secure the Senior Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Senior Notes when such release, termination or discharge is permitted by the Senior Indenture; to make any change that does not adversely affect the

legal rights of any Holder; to evidence the assumption by the Company (or its successor entity) or a successor entity of the Issuer of the obligations of the Issuer under the Senior Indenture and the Senior Notes; to add covenants or new events of default for the protection of the Holders of the Senior Notes; or to designate a bank or trust company other than the Trustee to act as trustee.

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

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

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

#### **Governing Law**

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

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

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



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

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

"**Asset Acquisition**" means (1) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (2) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets 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 Senior Indenture or who became a director of the Company subsequent to such date and whose election or nomination for election by the Company's stockholders was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual is named as nominee for director.

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

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

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

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

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

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

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

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

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

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

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

"**Guarantee**" means the senior guarantee of the Notes by the Company and each other Guarantor under the Senior Indenture.

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

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

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

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

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

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

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

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

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

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

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



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

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

**"Issue Date"** means November 30, 2004.

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

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

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

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

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

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

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

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

**"Permitted Indebtedness"** means

- (1) Indebtedness under Credit Facilities which does not exceed \$590 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 \$50 million aggregate principal amount outstanding at any one time.

**"Permitted Investment"** means

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

**"Permitted Liens"** means

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

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

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

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

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

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

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

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

**"Rating Agency"** means a statistical rating agency or agencies, as the case may be, nationally recognized in the United States and selected by the Company (as certified by a resolution of the Board of Directors of the Company) which shall be substituted for S&P or Moody's, or both, as the case may be.

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

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

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

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

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

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

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

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

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

**"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.

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

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

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided, however*, that (1) the net amount (the **"Designation Amount"**) then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture, to the extent provided therein, (2) the Company must be permitted under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture to make the Restricted Payment deemed to have been made pursuant to clause (1), and (3) after giving effect to

such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

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

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

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

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

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



## 6% Senior Subordinated Notes due 2010

References to "outstanding notes" and "exchange notes" in this section mean only the 6% Senior Subordinated Notes due 2010.

The Issuer issued the outstanding notes, and will issue the exchange notes described in this prospectus, under an indenture, dated as of November 30, 2004 (the "**Senior Subordinated Indenture**"), among the Issuer, the Company, the other guarantors party thereto and Wachovia Bank, National Association, as trustee (the "**Trustee**"). The following is a summary of the material terms and provisions of the Senior Subordinated Notes. The terms of the Senior Subordinated Notes include those stated in the Senior Subordinated Indenture and those made part of the Senior Subordinated Indenture by reference to the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), as in effect on the date of the Senior Subordinated Indenture. The Senior Subordinated Notes are subject to all such terms, and prospective participants in the exchange offer with respect to the outstanding notes should refer to the Senior Subordinated Indenture and the Trust Indenture Act for a statement of such terms. The form and terms of the exchange notes and the outstanding notes are identical in all material respects, except that the exchange notes will be registered under the Securities Act and will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement with respect to the outstanding notes.

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

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

The exchange notes will bear interest at the rate *per annum* shown on the cover page of this prospectus, from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from November 30, 2004. The interest will be payable semi-annually on January 15 and July 15 of each year, commencing January 15, 2005, to Holders of record at the close of business on January 1 or July 1, as the case may be, immediately preceding each such interest payment date. The Senior Subordinated Notes will mature on January 15, 2005. The exchange notes will be issued in denominations of \$1,000 and integral multiples thereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Senior Subordinated Indenture does not limit the maximum aggregate principal amount of securities that the Issuer may issue thereunder. The Issuer will issue an aggregate principal amount of \$100.0 million of exchange notes in this offering. The Issuer may issue additional notes of the same series as the outstanding notes and the exchange notes (the "**Additional Notes**") from time to time after this offering. The Senior Subordinated Notes and any Additional Notes subsequently issued under the Senior Subordinated Indenture would be treated as a single series for all purposes under the Senior Subordinated Indenture including, without limitation, waivers, amendments, redemption and offers to

purchase. Any offering of Additional Notes under the Senior Subordinated Indenture is subject to the covenant described below under the caption "—Certain Covenants—Limitations on Indebtedness."

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

### **Ranking**

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

Secured creditors of the Company, the Issuer and the other Guarantors have a claim on the assets which secure the obligations of the Company and the Guarantors to such creditors prior to claims of Holders of the notes against those assets. At October 31, 2004, assuming we had completed the offering of the outstanding notes and the outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and the application of the net proceeds thereof at that date, the Issuer and the Guarantors would have had approximately \$1,253.4 million (including the outstanding notes) of Indebtedness outstanding, \$50.6 million of which would have been secured by certain real estate assets of the Company and the Guarantors and \$853.4 million of which would have been subordinated to the notes.

### **The Senior Subordinated Guarantees**

The Company and each of the Guarantors will (so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary) unconditionally guarantee on a joint and several basis all of our obligations under the Senior Subordinated Notes, including our obligations to pay principal, premium, if any, and interest with respect to the Senior Subordinated 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 Senior Subordinated Indenture, will result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than the Company that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Guarantor in an amount *pro rata*, based on the net assets of each Guarantor, determined in accordance with GAAP. Except as provided in "—Certain Covenants" below, the Company is not restricted from selling or otherwise disposing of any of the Guarantors.

The Senior Subordinated Indenture requires that each existing and future Restricted Subsidiary of the Company (other than KHL, Inc., the Issuer (for so long as it remains the Issuer) and K. Hovnanian

Poland, sp.z.o.o.) be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor.

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

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

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

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon notice from the Company to the 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.

### **Redemption**

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

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

- (2) the Make-Whole Amount.

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

- (1) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the business day preceding the date of such redemption) plus 0.5%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over
- (2) the principal amount of the Senior Subordinated Note being redeemed.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Senior Subordinated Note, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), equal to the then remaining maturity of the Senior Subordinated Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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

#### **Selection and Notice**

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

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

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

#### **Certain Covenants**

The following is a summary of certain covenants that are contained in the Senior Subordinated Indenture. Such covenants are applicable (unless waived or amended as permitted by the Senior Subordinated Indenture or their application is suspended as set forth under the caption "—Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade") so long as any of the Senior Subordinated Notes are outstanding or until the Senior Subordinated 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 Senior Subordinated Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Senior Subordinated Notes on a date (the "**Repurchase Date**") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Repurchase Date.

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

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

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

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

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

purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

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

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

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

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

- (1) Permitted Indebtedness,
- (2) Refinancing Indebtedness,
- (3) Non-Recourse Indebtedness,
- (4) any guarantee of Indebtedness represented by the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 or Senior Subordinated Notes, and
- (5) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Senior Subordinated Indenture.

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

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

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

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

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

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

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

- (B) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and
- (C) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999;

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

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

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

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

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

- (1) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the



Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

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

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

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

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

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

The amount of (i) any Indebtedness (other than any Indebtedness subordinated to the Senior Subordinated Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition and (ii) the fair market value (as determined in good faith by the

Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (b) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

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

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

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

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

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

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

except for:

- (a) encumbrances or restrictions existing under or by reason of applicable law,
- (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on the Issue Date,
- (c) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided, however*, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Senior Subordinated Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,
- (f) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Senior Subordinated Indenture,
- (g) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (h) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (i) encumbrances or restrictions existing under or by reason of the Senior Subordinated Indenture or the Senior Subordinated Notes,
- (j) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph,
- (k) Liens permitted under the Senior Subordinated Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (l) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (m) customary provisions of any franchise, distribution or similar agreements,
- (n) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

- (o) any encumbrance or restrictions of the type referred to in clauses (1), (2) or (3) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (n) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

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

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

The foregoing provisions shall not apply to:

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

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

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

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

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

### Condition for Release of K. Hovnanian

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

### Events of Default

The following are Events of Default under the Senior Subordinated Indenture:

- (1) the failure by the Company, the Issuer and the Guarantors to pay interest on, or additional interest, if any, with respect to, any Senior Subordinated Notes when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

- (2) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Senior Subordinated Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
- (3) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Senior Subordinated Notes, the Guarantees or the Senior Subordinated Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under covenants described under "Certain Covenants—Repurchase of Notes upon Change of Control" and "Certain Covenants—Limitations on Mergers, Consolidations and Sales of Assets," which will constitute Events of Default with notice but without passage of time);
- (4) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;
- (5) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
- (6) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;
- (7) the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:
  - (a) commences a voluntary case,
  - (b) consents to the entry of an order for relief against it in an involuntary case,
  - (c) consents to the appointment of a Custodian of it or for all or substantially all of its property, or
  - (d) makes a general assignment for the benefit of creditors;
- (8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
  - (a) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,
  - (b) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or
  - (c) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary,

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

- (9) any 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 Senior Subordinated Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Senior Subordinated 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 Senior Subordinated Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to covenants described under "Certain Covenants—Repurchase of Senior Subordinated Notes upon Change of Control" and "Certain Covenants—Limitations on Mergers, Consolidations and Sales of Assets") the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

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

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

The Holders may not enforce the provisions of the Senior Subordinated Indenture, the Senior Subordinated Notes or the Guarantees except as provided in the Senior Subordinated Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Senior Subordinated 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 Senior Subordinated Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest on the Senior Subordinated Notes or that resulted from the failure to comply with the covenant entitled "Repurchase of Senior Subordinated 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 Senior Subordinated Indenture and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

## Discharge and Defeasance of Senior Subordinated Indenture

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

The Senior Subordinated Indenture permits the Company, the Issuer and the Guarantors to terminate all of their respective obligations under the Senior Subordinated Indenture with respect to the Senior Subordinated Notes and the Guarantees, other than the obligation to pay interest on and the principal of the Senior Subordinated Notes and certain other obligations ("**legal defeasance**"), 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 premium, interest and additional interest, if any, on the Senior Subordinated Notes to their maturity or redemption, as the case may be, 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 Senior Subordinated Indenture.

In addition, the Senior Subordinated Indenture permits the Company, the Issuer and the Guarantors to terminate all of their obligations under the Senior Subordinated Indenture with respect to certain covenants and events of default specified in the Senior Subordinated Indenture, and the Guarantors will be released ("**covenant defeasance**"), 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, premium and interest and additional interest, if any, on the Senior Subordinated Notes to their maturity or redemption, as the case may be, 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.

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

- rights of registration of transfer and exchange of Senior Subordinated Notes;
- rights of substitution of mutilated, defaced, destroyed, lost or stolen Senior Subordinated Notes;
- rights of Holders of the Senior Subordinated Notes to receive payments of principal thereof, premium, if any, and interest and additional interest, if any, thereon, upon the original due dates therefor, but not upon acceleration;



- rights, obligations, duties and immunities of the Trustee;
- rights of Holders of Senior Subordinated Notes beneficiaries with respect to property so deposited with the Trustee payable to all or any of them; and
- obligations of the Company, the Issuer or the Guarantors to maintain an office or agency in respect of the Senior Subordinated Notes.

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

#### **Transfer and Exchange**

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

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

Subject to certain exceptions, the Senior Subordinated Indenture or the Senior Subordinated Notes may be amended or supplemented with the consent (which may include written consents obtained in connection with a tender offer or exchange offer for Senior Subordinated Notes) of the Holders of at least a majority in principal amount of the Senior Subordinated Notes then outstanding, and future compliance with any provision of the Senior Subordinated Indenture or the Senior Subordinated Notes may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the Senior Subordinated Notes) with the consent (which may include waivers obtained in connection with a tender offer or exchange offer for Senior Subordinated Notes) of the Holders of a majority in principal amount of the Senior Subordinated Notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Trustee may amend or supplement the Senior Subordinated Indenture or the Senior Subordinated Notes to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the Senior Subordinated Indenture; to comply with any requirements of the Commission in connection with the qualification of the Senior Subordinated Indenture under the Trust Indenture Act; to evidence and provide for the acceptance of appointment under the Senior Subordinated Indenture by a successor Trustee; to provide for uncertificated Senior Subordinated Notes in addition to or in place of certificated Senior Subordinated Notes; to provide for any Guarantee of the Senior Subordinated Notes; to secure the Senior Subordinated Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Senior Subordinated Notes when such release, termination or discharge is permitted by the Senior Subordinated Indenture; to make any change that does not adversely affect the legal rights of any Holder; to evidence the

assumption by the Company (or its successor entity) or a successor entity of the Issuer of the obligations of the Issuer under the Senior Subordinated Indenture and the Senior Subordinated Notes; to add covenants or new events of default for the protection of the Holders of the Senior Subordinated Notes; or to designate a bank or trust company other than the Trustee to act as trustee.

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

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

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

#### **Governing Law**

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

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

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

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

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

"**Asset Acquisition**" means (1) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (2) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets 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 Senior Subordinated Indenture or who became a director of the Company subsequent to such date and whose election or nomination for election by the Company's stockholders was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual is named as nominee for director.

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

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

"**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 Senior Subordinated Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control occurring prior to the final maturity date of the Notes shall not constitute Disqualified Stock if the change in control provision applicable to such Capital Stock are no more favorable to such holders than the provisions described under the caption "Certain Covenants—Repurchase of Senior Subordinated Notes upon Change of Control" and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Senior Subordinated Notes as are required pursuant to the provisions described under the caption "—Certain Covenants—Repurchase of Senior Subordinated Notes upon Change of Control."

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



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

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

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

"**Guarantee**" means the Senior Subordinated guarantee of the Senior Subordinated Notes by the Company and each other Guarantor under the Senior Subordinated Indenture.

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

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

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

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

Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to the "Limitations on Restricted Payments" covenant,

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

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

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

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

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

**"Interest Protection Agreement"** of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed

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

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

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

**"Issue Date"** means November 30, 2004.

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

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

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

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

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

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

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

**"Permitted Indebtedness"** means

- (1) Indebtedness under Credit Facilities which does not exceed \$590 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 \$50 million aggregate principal amount outstanding at any one time.

**"Permitted Investment"** means

- (1) Cash Equivalents;
- (2) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (3) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Senior Subordinated Indenture;
- (4) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of the Senior Subordinated Indenture;
- (5) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;
- (6) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided, however*, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;
- (7) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;
- (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-governmental charges or claims that (a) are not yet delinquent, (b) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (c) encumber solely property abandoned or in the process of being abandoned,

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

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

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

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

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

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

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

"**Rating Agency**" means a statistical rating agency or agencies, as the case may be, nationally recognized in the United States and selected by the Company (as certified by a resolution of the Board of Directors of the Company) which shall be substituted for S&P or Moody's, or both, as the case may be.

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

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

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



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

- (1) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than (a) dividends or distributions payable solely in Qualified Stock and (b) in the case of the Issuer or Restricted Subsidiaries, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary);
- (2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made to the Company, the Issuer or any Restricted Subsidiary); and
- (3) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (2) of the definition of Indebtedness.

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

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

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

**"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.

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

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

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

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

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

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

The Senior Subordinated Trustee is also trustee with respect to the Issuer's 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2014, 8% Senior Notes due 2012, 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2013, 8<sup>7</sup>/<sub>8</sub>% Senior Subordinated Notes due 2012, 6% Senior Subordinated Notes due 2010 and 10<sup>1</sup>/<sub>2</sub>% Senior Notes due 2007. The Senior Subordinated Indenture contains certain limitations on the rights of the Senior Subordinated Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Subordinated Trustee will be permitted to engage in other transactions; however,

if it acquires any conflicting interest during the continuance of any Default, it must, so long as such Default has not been cured or duly waived, eliminate that conflicting interest within 90 days, apply to the Commission for permission to continue or resign.

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

## EXCHANGE OFFERS; REGISTRATION RIGHTS

The Issuer, the Company, the other guarantors party thereto and the initial purchasers of the outstanding notes entered into registration rights agreements on November 30, 2004 with respect to the 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and the 6% Senior Subordinated Notes due 2010, which we refer to collectively as the "**Registration Rights Agreements.**" Pursuant to the Registration Rights Agreements, the Issuer, the Company and the other guarantors party thereto agreed to file with the SEC the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the exchange offers. Upon the effectiveness of the Exchange Offer Registration Statement and pursuant to the exchange offers, the Issuer will offer to the holders of Transfer Restricted Securities (as defined below) who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for exchange notes. Capitalized terms used in this section but not otherwise defined have the meanings given to them in the Registration Rights Agreements.

Under the Registration Rights Agreements:

- (1) the Issuer, the Company and the other guarantors agreed to file an Exchange Offer Registration Statement with the SEC on or prior to 90 days after November 30, 2004;
- (2) the Issuer, the Company and the other guarantors agreed to use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the SEC on or prior to 150 days after November 30, 2004;
- (3) unless the exchange offers would not be permitted by applicable law or SEC policy, the Issuer, the Company and the other guarantors agreed to commence the exchange offers, keep the exchange offers open for a period of not less than 20 business days and use their reasonable best efforts to issue, on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the SEC, exchange notes in exchange for all outstanding notes tendered prior thereto in the exchange offers; and
- (4) if obligated to file the Shelf Registration Statement, the Issuer, the Company and the other guarantors will file the Shelf Registration Statement with the SEC on or prior to 30 days after that filing obligation arises and use their reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the SEC on or prior to 90 days after that obligation arises.

In the event that:

- (1) the Issuer is not permitted to file the Exchange Offer Registration Statement or permitted to consummate an exchange offer because such 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 an exchange offer that:
  - (a) based on an opinion of counsel, it is prohibited by law or SEC policy from participating in such exchange offer; or
  - (b) it is a broker-dealer and owns notes acquired directly from the Issuer,

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

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

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

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

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

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

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

Such additional interest shall be:

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

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

Holders of Transfer Restricted Securities will be required to make certain representations to the Issuer, the Company and the other guarantors (as described in the Registration Rights Agreements) in order to participate in the exchange offers 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 Agreements in order to have their notes included in the Shelf Registration Statement and to benefit from the provisions regarding additional interest set forth above with respect to the Shelf Registration Statement.

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

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

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

**Depository Procedures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the global notes and the Issuer thereupon fails to appoint a successor depository within 90 days or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) the Issuer, at its option, notifies the trustee in writing that it elects to cause the issuance of the notes in certificated form; or
- (3) there shall have occurred and be continuing to occur a default or an event of default with respect to the notes.

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

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

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



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

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

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

## PLAN OF DISTRIBUTION

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

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

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

## LEGAL MATTERS

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

## EXPERTS

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

## AVAILABLE INFORMATION

We are subject to the informational requirements of the Exchange Act and file reports, proxy statements and other information with the SEC. You may read and copy any reports, proxy statements and other information at the SEC's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Copies of such material can also be obtained by mail from the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at the prescribed rates. The SEC also maintains a website that contains reports, proxy and information statements and other information. The website address is: <http://www.sec.gov>. Hovnanian's Class A common stock is listed on the NYSE, and reports, proxy statements and other information can also be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

- Annual Report on Form 10-K for the fiscal year ended October 31, 2004, Registration File No. 1-8551.
- Current Report on Form 8-K filed on January 19, 2005, Registration File No. 1-8551.

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

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

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



**\$300,000,000**

**K. Hovnanian Enterprises, Inc.**

**Guaranteed by  
Hovnanian Enterprises, Inc.**

**Offer to Exchange All Outstanding  
6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015  
(\$200,000,000 aggregate principal amount outstanding)  
for 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, which have been registered  
under the Securities Act of 1933  
and  
6% Senior Subordinated Notes due 2010  
(\$100,000,000 aggregate principal amount outstanding)  
for 6% Senior Subordinated Notes due 2010, which have been registered  
under the Securities Act of 1933**

Until , 2005, all dealers that effect transactions in these securities, whether or not participating in these offerings, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

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**PROSPECTUS**

, 2005

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

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

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

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

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

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

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

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

Hovnanian maintains a liability insurance policy providing coverage for its directors and officers, the directors and officers of K. Hovnanian and the directors and officers of certain of its other subsidiaries in an amount up to an aggregate limit of \$15,000,000 for any single occurrence and with an excess of \$15,000,000 for any single occurrence, for a total of \$30,000,000.

**Item 21. Exhibits.**

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

- 3.16 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Texas.(1)
- 3.17 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Arizona.(1)
- 3.18 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Ohio.(1)
- 3.19 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in West Virginia.(1)
- 3.20 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in Florida.(1)
- 3.21 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Michigan.(1)
- 3.22 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Tennessee.(1)
- 3.23 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Minnesota (filed herewith).
- 3.24 Form of Articles of Organization for Subsidiary Registrant limited liability companies.(1)
- 3.25 Form of Registration for Subsidiary Registrant limited partnerships.(1)
- 3.26 Form of By-Laws for Subsidiary Registrant corporations incorporated in New Jersey.(1)
- 3.27 Form of By-Laws for Subsidiary Registrant corporations incorporated in New York.(1)
- 3.28 Form of By-Laws for Subsidiary Registrant corporations incorporated in Pennsylvania.(1)
- 3.29 Form of By-Laws for Subsidiary Registrant corporations incorporated in North Carolina.(1)
- 3.30 Form of By-Laws for Subsidiary Registrant corporation incorporated in South Carolina.(1)
- 3.31 Form of By-Laws for Subsidiary Registrant corporations incorporated in Maryland.(1)
- 3.32 Form of By-Laws for Subsidiary Registrant corporations incorporated in Virginia.(1)
- 3.33 Form of By-Laws for Subsidiary Registrant corporations incorporated in Delaware.(1)
- 3.34 Form of By-Laws for Subsidiary Registrant corporations incorporated in California.(1)
- 3.35 Form of By-Laws for Subsidiary Registrant corporations incorporated in Texas.(1)
- 3.36 Form of By-Laws for Subsidiary Registrant corporation incorporated in Arizona.(1)
- 3.37 Form of By-Laws for Subsidiary Registrant corporation incorporated in Ohio.(1)
- 3.38 Form of By-Laws for Subsidiary Registrant corporation incorporated in West Virginia.(1)
- 3.39 Form of By-Laws for Subsidiary Registrant corporations incorporated in Florida.(1)
- 3.40 Form of By-Laws for Subsidiary Registrant corporation incorporated in Michigan.(1)
- 3.41 Form of By-Laws for Subsidiary Registrant corporation incorporated in Tennessee.(1)
- 3.42 Form of Limited Liability Company Agreement for Subsidiary Registrant limited liability companies.(1)
- 3.43 Form of Limited Partnership Agreement for Subsidiary Registrant limited partnerships.(1)



- 4.1 Senior Indenture, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association, as trustee including the form of Senior Note.(5)
- 4.2 Senior Subordinated Indenture, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association as trustee including the form of Senior Subordinated Note.(5)
- 4.3 Senior Registration Rights Agreement, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC (filed herewith).
- 4.4 Senior Subordinated Registration Rights Agreement, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC (filed herewith).
- 5.1 Opinion of Simpson Thacher & Bartlett LLP (filed herewith).
- 10.1 Third Amendment to First Restated Revolving Credit Agreement dated as of August 3, 2004, among, K. Hovnanian Mortgage, Inc., and K. Hovnanian American Mortgage, LLC., Guaranty Bank, Bank of America NA, J P Morgan Chase Bank, Comerica Bank, National City Bank of Kentucky, U S Bank N A, Colonial Bank NA, and Washington Mutual Bank FA (Warehouse Agreement).(9)
- 10.2 Fourth Amended and Restated Credit Agreement dated as of June 18, 2004, among, K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., PNC Bank NA, Bank of America NA, Wachovia Bank NA, Bank One NA, Key Bank, National Association, and The Royal Bank of Scotland.(9)
- 10.3 Description of Management Bonus Arrangements.(10)
- 10.4 Description of Savings and Investment Retirement Plan.(2)
- 10.5 1999 Stock Incentive Plan (as amended and restated).(7)
- 10.6 1983 Stock Option Plan (as amended and restated March 8, 2002).(6)
- 10.7 Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(2)
- 10.8 Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(10)
- 10.9 Description of Deferred Compensation Plan.(10)
- 10.10 Senior Executive Short-Term Incentive Plan (as amended and restated).(8)
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges.(5)
- 23.1 Consent of Simpson Thacher & Bartlett LLP (contained in Exhibit 5.1).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Powers of Attorney of the Board of Directors of K. Hovnanian Enterprises, Inc. (included on signature page).
- 24.2 Powers of Attorney of the Board of Directors of Hovnanian Enterprises, Inc. (included on signature page).

- 24.3 Powers of Attorney of the Board of Directors of the Registrants (as listed on the Schedule of Subsidiary Registrants) (included on signature page).
  - 25.1 Statement of Eligibility of Trustee under the Indentures filed as Exhibit 4.1 and Exhibit 4.2 hereto (filed herewith).
  - 99.1 Form of Letter of Transmittal (filed herewith).
  - 99.2 Form of Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees (filed herewith).
  - 99.3 Form of Letter to Clients (filed herewith).
  - 99.4 Form of Notice of Guaranteed Delivery (filed herewith).
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- (1) Incorporated by reference to Exhibits to the Registration Statement (No. 333-106761) on Form S-3 of Hovnanian Enterprises, Inc.
- (2) Incorporated by reference to Exhibits to the Registration Statement (No. 2-85198) on Form S-1 of Hovnanian Enterprises, Inc.
- (3) Incorporated by reference to Exhibit 3.2 to the Registration Statement (No. 001-08551) on Form 8-A of Hovnanian Enterprises, Inc.
- (4) Incorporated by reference to Exhibit 3(c) to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended January 31, 2004.
- (5) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2004.
- (6) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2002.
- (7) Incorporated by reference to Appendix B of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (8) Incorporated by reference to Appendix A of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (9) Incorporated by reference to Exhibits to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended July 31, 2004.
- (10) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the quarter ended October 31, 2003.

**Item 22. Undertakings.**

The undersigned registrants hereby undertake:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end

of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

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

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

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

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



**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, Hovnanian Enterprises, Inc. has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on January 20, 2005.

HOVNANIAN ENTERPRISES, INC.

By: \_\_\_\_\_ /s/ J. LARRY SORSBY

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

**POWER OF ATTORNEY**

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on January 20, 2005.

Signature	Title
Kevork S. Hovnanian	Chairman of the Board and Director
/s/ ARA K. HOVNANIAN	Chief Executive Officer, President and Director
Ara K. Hovnanian	
/s/ PAUL W. BUCHANAN	Senior Vice-President and Corporate Controller
Paul W. Buchanan	
Geaton A. DeCesaris, Jr.	President of the Hovnanian Land Investment Group and Director

/s/ ARTHUR M. GREENBAUM

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Arthur M. Greenbaum

Director

/s/ EDWARD A. KANGAS

---

Edward A. Kangas

Director

/s/ DESMOND P. MCDONALD

---

Desmond P. McDonald

Director

John J. Robbins

Director

/s/ J. LARRY SORSBY

---

J. Larry Sorsby

Executive Vice-President, Chief Financial Officer and Director

/s/ STEPHEN D. WEINROTH

---

Stephen D. Weinroth

Director



**SCHEDULE OF SUBSIDIARY REGISTRANTS**

ALL SEASONS, INC.  
ARROW PROPERTIES, INC.  
CONDOMINIUM COMMUNITY (BOWIE NEW TOWN), INC.  
CONDOMINIUM COMMUNITY (LARGO TOWN), INC.  
CONDOMINIUM COMMUNITY (PARK PLACE), INC.  
CONDOMINIUM COMMUNITY (QUAIL RUN), INC.  
CONDOMINIUM COMMUNITY (TRUMAN DRIVE), INC.  
CONSULTANTS CORPORATION  
DESIGNED CONTRACTS, INC.  
EXC, INC.  
HOUSING-HOME SALES, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.  
K. HOVNIANIAN AT BALLANTRAE, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT CHAPARRAL, INC.  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.  
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.



K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT LA TERRAZA, INC.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT LOWER SAUCON II, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT MARLBORO II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN AT METRO DC SOUTH, INC.  
K. HOVNIANIAN AT MONROE II, INC.  
K. HOVNIANIAN AT MONTCLAIR NJ, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN AT THE GLEN, INC.  
K. HOVNIANIAN AT THORNBURY, INC.

K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT WILDROSE, INC.  
K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN CONSTRUCTION II, INC.  
K. HOVNIANIAN CONSTRUCTION III, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.  
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MICHIGAN, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.  
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.  
K. HOVNIANIAN EQUITIES, INC.  
K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN HOMES OF VIRGINIA, INC.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.

LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MCNJ, INC.  
PINE BROOK COMPANY, INC.  
QUE CORPORATION  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
THE SOUTHAMPTON CORPORATION  
WASHINGTON HOMES, INC.  
WESTMINSTER HOMES (CHARLOTTE), INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH LAND II, INC.  
WH PROPERTIES, INC.  
ARBOR WEST, L.L.C.  
DULLES COPPERMINE, L.L.C.  
EDISON CONTRACT SERVICES, L.L.C.  
K. HOVNIANIAN AT 4S II, L.L.C.  
K. HOVNIANIAN AT 4S, L.L.C.  
K. HOVNIANIAN AT ACQUA VISTA, L.L.C.  
K. HOVNIANIAN AT ALISO, L.L.C.  
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC  
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.  
K. HOVNIANIAN AT BARNEGAT I, L.L.C.  
K. HOVNIANIAN AT BELLA LAGO, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.  
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C  
K. HOVNIANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNIANIAN AT CAMDEN I, L.L.C.  
K. HOVNIANIAN AT CAPISTRANO, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNIANIAN AT CITY IN THE HILLS, L.L.C.  
K. HOVNIANIAN AT CLIFTON II, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNIANIAN AT CRANBURY, L.L.C.  
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNIANIAN AT DENVILLE, L.L.C.  
K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT EASTLAKE, LLC

K. HOVNIANIAN AT EDGEWATER II, L.L.C.  
K. HOVNIANIAN AT EDGEWATER, L.L.C.  
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNIANIAN AT FLORENCE I, L.L.C.  
K. HOVNIANIAN AT FLORENCE II, L.L.C.  
K. HOVNIANIAN AT FOREST MEADOWS, L.L.C.  
K. HOVNIANIAN AT FRANKLIN, L.L.C.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.  
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.

K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN II, L.L.C.  
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT HAMBURG, L.L.C.  
K. HOVNIANIAN AT HAWTHORNE, L.L.C.  
K. HOVNIANIAN AT HIGHWATER, L.L.C.  
K. HOVNIANIAN AT HUDSON POINT, L.L.C.  
K. HOVNIANIAN AT JACKSON I, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT LA COSTA, L.L.C.  
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT LAKE RANCHO VIEJO, L.L.C.  
K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT LAWRENCE V, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNIANIAN AT LONG BRANCH I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.  
K. HOVNIANIAN AT MANALAPAN II, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, LLC  
K. HOVNIANIAN AT MANSFIELD II, LLC  
K. HOVNIANIAN AT MANSFIELD III, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IX, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP V, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.  
K. HOVNIANIAN AT MARLBORO VI, L.L.C.  
K. HOVNIANIAN AT MARLBORO VII, L.L.C.  
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MENIFEE VALLEY CONDOMINIUMS, L.L.C.  
K. HOVNIANIAN AT MENIFEE VALLEY, L.L.C.

K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN AT MILLVILLE I, L.L.C.  
K. HOVNIANIAN AT MONROE III, L.L.C.  
K. HOVNIANIAN AT MONTVALE, L.L.C.  
K. HOVNIANIAN AT MOSAIC, LLC  
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN II, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL, L.L.C.  
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.  
K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.  
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.  
K. HOVNIANIAN AT NORTHFIELD, L.L.C.  
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.  
K. HOVNIANIAN AT OLDE ORCHARD, LLC  
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT PARK LANE, L.L.C.  
K. HOVNIANIAN AT PITTSBURGH, L.L.C.  
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNIANIAN AT RANDOLPH I, L.L.C.  
K. HOVNIANIAN AT READINGTON II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND, L.L.C.  
K. HOVNIANIAN AT RODERUCK, L.L.C.  
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT SAYREVILLE, L.L.C.  
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNIANIAN AT SHELF COMPANY, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNIANIAN AT SOMERS POINT, LLC  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT SUNSETS, L.L.C.  
K. HOVNIANIAN AT TEANECK, L.L.C.  
K. HOVNIANIAN AT THE CROSBY, L.L.C.  
K. HOVNIANIAN AT THE GABLES, L.L.C.  
K. HOVNIANIAN AT THE PRESERVE, L.L.C.  
K. HOVNIANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT WASHINGTON, L.L.C.  
K. HOVNIANIAN AT WAYNE IX, L.L.C.

K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNIANIAN AT WOOLWICH I, L.L.C.  
K. HOVNIANIAN AT YONKERS I, L.L.C.  
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K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNIANIAN COMPANIES, LLC  
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K. HOVNIANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.  
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNIANIAN GREAT WESTERN HOMES, L.L.C.  
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K. HOVNIANIAN HOMES AT LAUREL HIGHLANDS, L.L.C.  
K. HOVNIANIAN HOMES OF D.C., L.L.C.  
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.  
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K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.  
K. HOVNIANIAN OHIO REALTY, L.L.C.  
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES, L.L.C.  
K. HOVNIANIAN WINDWARD HOMES, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT MENIFEE VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.  
K. HOVNANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
KHIP, LLC  
KINGS COURT AT MONTGOMERY, L.L.C.  
M&M AT APPLE RIDGE, L.L.C.  
M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, LLC  
M&M AT EAST MILL, L.L.C.  
M&M AT HERITAGE WOODS, L.L.C.  
M&M AT KENSINGTON WOODS, LLC  
M&M AT MORRISTOWN, L.L.C.  
M&M AT ROBERT MORRIS, L.L.C.  
M&M AT SHERIDAN, L.L.C.  
M&M AT SOUTH BOUND BROOK, L.L.C.  
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M&M AT SPINNAKER POINTE, L.L.C.  
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MATZEL & MUMFORD AT EGG HARBOR, L.L.C.  
MATZEL & MUMFORD AT FREEHOLD, L.L.C.  
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WASHINGTON HOMES AT FOREST RUN, L.L.C.  
WASHINGTON HOMES AT RENAISSANCE PLAZA, L.L.C.  
WASHINGTON HOMES AT RUSSETT, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, L.L.C.  
GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNANIAN OF HOUSTON II, L.P.  
K. HOVNANIAN OF HOUSTON, L.P.  
M&M INVESTMENTS, L.P.  
WASHABAMA, L.P.

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- 3.1 Articles of Incorporation of K. Hovnanian Enterprises, Inc.(1)
- 3.2 By-Laws of K. Hovnanian Enterprises, Inc.(1)
- 3.3 Certificate of Incorporation of Hovnanian Enterprises, Inc.(2)
- 3.4 Certificate of Amendment of Certificate of Incorporation of Hovnanian Enterprises, Inc.(1)
- 3.5 Certificate of Amendment of Certificate of Incorporation of Hovnanian Enterprises, Inc.(4)
- 3.6 Restated By-Laws of Hovnanian Enterprises, Inc.(3)
- 3.7 Form of Articles of Incorporation for Subsidiary Registrant corporations incorporated in New Jersey.(1)
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- 3.22 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Tennessee.(1)
- 3.23 Form of Articles of Incorporation for Subsidiary Registrant corporation incorporated in Minnesota (filed herewith).
- 3.24 Form of Articles of Organization for Subsidiary Registrant limited liability companies.(1)



- 3.25 Form of Registration for Subsidiary Registrant limited partnerships.(1)
- 3.26 Form of By-Laws for Subsidiary Registrant corporations incorporated in New Jersey.(1)
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- 3.42 Form of Limited Liability Company Agreement for Subsidiary Registrant limited liability companies.(1)
- 3.43 Form of Limited Partnership Agreement for Subsidiary Registrant limited partnerships.(1)
- 4.1 Senior Indenture, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association, as trustee including the form of Senior Notes.(5)
- 4.2 Senior Subordinated Indenture, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., the Guarantors named therein and Wachovia Bank, National Association as trustee including the form of Senior Subordinated Note.(5)
- 4.3 Senior Registration Rights Agreement, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC (filed herewith).
- 4.4 Senior Subordinated Registration Rights Agreement, dated as of November 30, 2004, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC (filed herewith).
- 5.1 Opinion of Simpson Thacher & Bartlett LLP (filed herewith).
- 10.1 Third Amendment to First Restated Revolving Credit Agreement dated as of August 3, 2004, among, K. Hovnanian Mortgage, Inc., and K. Hovnanian American Mortgage, LLC., Guaranty Bank, Bank of America NA, J P Morgan Chase Bank, Comerica Bank, National City Bank of Kentucky, U S Bank N A, Colonial Bank NA, and Washington Mutual Bank FA (Warehouse Agreement).(9)

- 10.2 Fourth Amended and Restated Credit Agreement dated as of June 18, 2004, among, K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., PNC Bank NA, Bank of America NA, Wachovia Bank NA, Bank One NA, Key Bank, National Association, and The Royal Bank of Scotland.(9)
- 10.3 Description of Management Bonus Arrangements.(10)
- 10.4 Description of Savings and Investment Retirement Plan.(2)
- 10.5 1999 Stock Incentive Plan (as amended and restated).(7)
- 10.6 1983 Stock Option Plan (as amended and restated March 8, 2002).(6)
- 10.7 Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(2)
- 10.8 Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(10)
- 10.9 Description of Deferred Compensation Plan.(10)
- 10.10 Senior Executive Short-Term Incentive Plan.(8)
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges.(5)
- 23.1 Consent of Simpson Thacher & Bartlett LLP (contained in Exhibit 5.1).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Powers of Attorney of the Board of Directors of K. Hovnanian Enterprises, Inc. (included on signature page).
- 24.2 Powers of Attorney of the Board of Directors of Hovnanian Enterprises, Inc. (included on signature page).
- 24.3 Powers of Attorney of the Board of Directors of the Registrants (as listed on the Schedule of Subsidiary Registrants) (included on signature page).
- 25.1 Statement of Eligibility of Trustee under the Indentures filed as Exhibit 4.1 and Exhibit 4.2 hereto (filed herewith).
- 99.1 Form of Letter of Transmittal (filed herewith).
- 99.2 Form of Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees (filed herewith).
- 99.3 Form of Letter to Clients (filed herewith).
- 99.4 Form of Notice of Guaranteed Delivery (filed herewith).

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- (1) Incorporated by reference to Exhibits to the Registration Statement (No. 333-106761) on Form S-3 of Hovnanian Enterprises, Inc.
  - (2) Incorporated by reference to Exhibits to the Registration Statement (No. 2-85198) on Form S-1 of Hovnanian Enterprises, Inc.
  - (3) Incorporated by reference to Exhibit 3.2 to the Registration Statement (No. 001-08551) on Form 8-A of Hovnanian Enterprises, Inc.
  - (4) Incorporated by reference to Exhibit 3(c) to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended January 31, 2004.
  - (5) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the year ended October 31, 2004.

- (6) Incorporated by reference to Exhibits to the Annual Report on Form 10-K for the year ended October 31, 2002 of the Registrant.
- (7) Incorporated by reference to Appendix B of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (8) Incorporated by reference to Appendix A of the definitive Proxy Statement of Hovnanian Enterprises, Inc. on Schedule 14A filed February 10, 2004.
- (9) Incorporated by reference to Exhibits to the Quarterly Report on Form 10-Q of Hovnanian Enterprises, Inc. for the quarter ended July 31, 2004.
- (10) Incorporated by reference to Exhibits to the Annual Report on Form 10-K of Hovnanian Enterprises, Inc. for the quarter ended October 31, 2003.

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ARTICLES OF INCORPORATION

OF

[ ], INC.

The undersigned incorporator, being a natural person of full age of majority, and desiring to form a corporate entity under Minnesota Statutes, Chapter 302A, hereby adopts the following Articles of Incorporation;

ARTICLE I

The name of this corporation shall be: [ ], Inc.

ARTICLE II

The location and address of this corporation's registered office in this- state shall be [ ].

ARTICLE III

The aggregate number of shares which this corporation shall have the authority to issue is 1,060,000 shares each with \$0.01 par value, which shares shall be designated common stock. No share shall be issued until it has been paid for, and thereafter it shall be' nor-assessable.

ARTICLE IV

Shareholders shall have no rights of cumulative voting

ARTICLE V

No holder of any stock of the corporation shall be entitled, as a matter of right, to purchase, subscribe for or otherwise acquire any new or additional shares of stock of the corporation of any class, or any options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares, or any shares, bands, notes, debentures or other securities convertible into or carrying options or warrants; to purchase, subscribe for or otherwise acquire any such new or additional shares.

ARTICLE VI

The name and address of each incorporator of this corporation is:

[ ]

The number of directors of the corporation shall be fixed, and may be altered from time to time as may be provided in the Bylaws. In the case or any increase in the number of

directors, the additional directors may be elected by the directors as shall be provided in the Bylaws.

ARTICLE VIII

Any action required or permitted to be taken at a meeting of the Board of Directors may be taken by written action signed by a majority of the directors then in office, unless the action is one which need not be approved by the shareholders, in which case such action shall be effective if signed by the number of directors that would be required to take the same action at a meeting at which all directors were present.

ARTICLE IX

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for broach of fiduciary duty ass a director, except for (i) liability based on a breach of the duty of loyalty to the corporation or the shareholders; (ii) liability for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) liability based an the payment pf an improper dividend or an improper repurchase of the corporation's stock under Section 559 of the Minnesota Business Corporation Act (Minnesota Statutes, Chap. 302A) or on violations of federal or state securities laws; (iv) liability for any transaction from which the director derived an improper personal benefit, or (v) liability for any act or omission occurring prior to the date this Article IX becomes effective, If Chapter 302A, the Minnesota Business Corporation Act hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability shall be limited to the fullest extent permitted by this' amended Chapter 302A, the Minnesota Business Corporation Act. Any repeal or modification of this Article by the shareholders of the corporation shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

IN WITNESS WHEREOF, the undersigned has set his hand this [ ] day of [ ].

\_\_\_\_\_  
Incorporator

SENIOR NOTES A/B EXCHANGE  
REGISTRATION RIGHTS AGREEMENT

Dated as of November 30, 2004

by and among

K. Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.

And Certain of its Subsidiaries

and

CREDIT SUISSE FIRST BOSTON LLC  
CITIGROUP GLOBAL MARKETS INC.  
UBS SECURITIES LLC  
WACHOVIA CAPITAL MARKETS, LLC

This Registration Rights Agreement (this “**Agreement**”) is made and entered into as of November 30, 2004 by and among K. Hovnanian Enterprises, Inc., a California corporation (the “**Company**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”), and certain subsidiary guarantors of Hovnanian party hereto (together with Hovnanian, the “**Guarantors**”) and Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC, as Representatives of the several initial purchasers listed in Schedule B to the Purchase Agreement (as defined below) (each an “**Initial Purchaser**” and, collectively, the “**Initial Purchasers**”), each of whom has agreed to purchase the Company’s 6¼% Series A Senior Notes due 2015 (the “**Senior A Notes**”) pursuant to the Purchase Agreement.

This Agreement is made pursuant to the Purchase Agreement, dated November 15, 2004 (the “**Purchase Agreement**”), by and among the Company, the Guarantors party thereto and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Senior A Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Senior Indenture, dated November 30, 2004, among the Company, the Guarantors and Wachovia Bank, National Association, as trustee (the “**Senior Trustee**”), relating to the Senior A Notes and the Senior B Notes (as defined below) (the “**Senior Indenture**”).

The parties hereby agree as follows:

**SECTION 1. DEFINITIONS**

As used in this Agreement, the following capitalized terms shall have the following meanings:

**Act:** The Securities Act of 1933, as amended.

**Affiliate:** As defined in Rule 144 of the Act.

**Broker-Dealer:** Any broker or dealer registered under the Exchange Act.

**Certificated Securities:** Certificated Notes, as defined in the Senior Indenture.

**Closing Date:** The date hereof.

**Commission:** The Securities and Exchange Commission.

**Consummate:** An Exchange Offer shall be deemed “Consummated” for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness

under the Act of the Exchange Offer Registration Statement relating to the Senior B Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement as continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Senior Trustee under the Senior Indenture of Senior B Notes in the same aggregate principal amount as the aggregate principal amount of Senior A Notes tendered by Holders thereof pursuant to the Exchange Offer.

**Consummation Deadline:** As defined in Section 3(b) hereof.

**Effectiveness Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Exchange Act:** The Securities Exchange Act of 1934, as amended.

**Exchange Offer:** The exchange and issuance by the Company of a principal amount of Senior B Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Senior A Notes that are tendered by Holders in connection with such exchange and issuance.

**Exchange Offer Registration Statement:** The Registration Statement relating to the Exchange Offer, including the related Prospectus.

**Filing Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Holders:** As defined in Section 2 hereof.

**Participating Broker-Dealer:** As defined in Section 3(c) hereof.

**Prospectus:** The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

**Recommendation Date:** As defined in Section 6(d) hereof.

**Registration Default:** As defined in Section 5 hereof.

**Registration Statement:** The Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, and, in each case, including the Prospectus and exhibits included therein.

**Regulation S:** Regulation S promulgated under the Act.

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**Rule 144:** Rule 144 promulgated under the Act.

**Selling Holders:** As defined in Section 6(c)(xi).

**Senior B Notes:** The Company's 6¼% Series B Senior Notes due 2015 to be issued under the Senior Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

**Shelf Registration Statement:** As defined in Section 4(a) hereof.

**Shelf Underwriters:** As defined in Section 6(c)(xi)(A)(1).

**Suspension Notice:** As defined in Section 6(d) hereof.

**TIA:** The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbb) as in effect on the date of the Senior Indenture.

**Transfer Restricted Securities:** Each Senior A Note, until the earliest to occur of (a) the date on which such Senior A Note is exchanged in the Exchange Offer for a Senior B Note which is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Senior A Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Senior B Notes) or (c) the date on which such Senior A Note is distributed to the public pursuant to Rule 144 or Regulation S under the Act (and purchasers thereof have been issued Senior B Notes) and each Senior B Note issued to a Broker Dealer until the date on which such Senior B Note is disposed of by such Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

## SECTION 2. HOLDERS

A person is deemed to be a holder of Transfer Restricted Securities (a "**Holder**") whenever such person owns Transfer Restricted Securities.

## SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "**Filing Deadline**"), (ii) use their reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (such 150th day being the "**Effectiveness Deadline**"),

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(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 Senior B Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, *provided, however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject; (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Senior B Notes to be offered in exchange for the Senior A Notes that are Transfer Restricted Securities and (ii) resales of Senior B Notes by Broker-Dealers that tendered into the Exchange Offer Senior A Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously for the period specified in Section 3(c) below and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; *provided, however*, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Senior B Notes and the guarantees thereof shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be consummated on or prior to 30 Business Days after the Exchange Offer Registration Statement has become effective, but in no event later than 40 Business Days thereafter (such 40th day being the "**Consummation Deadline**").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) (a "**Participating Broker-Dealer**") may exchange

that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Participating Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Participating Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling No-Action Letter (available July 2, 1993).

Because such Participating Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Senior B Notes received by such Participating Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Participating Broker-Dealer to satisfy such prospectus delivery requirement. In light of the foregoing, if requested by any Participating Broker-Dealer and to the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Senior B Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers promptly upon request and in no event later than one Business Day after such request at any time during such period.

#### SECTION 4. SHELF REGISTRATION

(a) *Shelf Registration.* If (i) the Exchange Offer is not permitted by applicable law (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) based on an opinion of counsel, such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder is a Broker-Dealer and holds Senior A Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in

clause (a)(ii) above, (such earlier date, the "**Filing Deadline**"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement) (the "**Shelf Registration Statement**"), relating to all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 60 days after the Filing Deadline for the Shelf Registration Statement (such 60th day being the "**Effectiveness Deadline**").

If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; *provided that*, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) *Provision by Holders of Certain Information in Connection with the Shelf Registration Statement.* No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to additional interest pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be

disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

#### SECTION 5. ADDITIONAL INTEREST

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a "**Registration Default**"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby additional interest in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of additional interest shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of additional interest of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; *provided that* the Company and the Guarantors shall in no event be required to pay additional interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon the filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made



usable in the case of (iv) above, the additional interest payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued additional interest shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in the Senior Indenture on each Interest Payment Date as more fully set forth in the Senior Indenture and the Notes. Notwithstanding the fact that any securities for which additional interest is

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due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay additional interest with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

## SECTION 6. REGISTRATION PROCEDURES

(a) *Exchange Offer Registration Statement.* In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Senior B Notes by Broker-Dealers that tendered in the Exchange Offer Senior A Notes that such Broker-Dealer acquired for its own account as a result of its market making activities or other trading activities (other than Senior A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) being sold in accordance with the intended method or methods of distribution thereof and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including, without limitation, (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company or the Guarantors, (B) it is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to

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participate in, a distribution of the Senior B Notes to be issued in the Exchange Offer and (C) it is acquiring the Senior B Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer each Holder using the Exchange Offer to participate in a distribution of the Senior B Notes shall acknowledge and agree that, if the resales are of Senior B Notes obtained by such Holder in exchange for Senior A Notes acquired directly from the Company, the Guarantors or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in the Morgan Stanley and Company Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation No-Action Letters (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling (available July 2, 1993) and similar No-Action Letters (including, if applicable, any No-Action Letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Senior B Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Senior B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Senior B Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(iv) If requested by any Participating Broker-Dealer delivering the Prospectus contained in the Exchange Offer Registration Statement in connection with its initial sale of any Senior B Notes received by it in the Exchange Offer, the Company and the Guarantors shall use their best efforts to furnish to each such Participating Broker-Dealer (i) an opinion of counsel of the Company and the Guarantors addressed to such

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Participating Broker-Dealer covering the matters set forth in Section 6(c)(xi)(A)(2) herein with such changes as are customary in connection with an Exchange Offer Registration Statement and (ii) a comfort letter, addressed to such Participating Broker-Dealer from the Company's independent public accountants, in the customary form, covering the matters set forth in Section 6(c)(xi)(A)(3) herein, with appropriate date changes.

(b) *Shelf Registration Statement.* In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Senior A Notes covered by any Shelf Registration Statement contemplated by this Agreement, Senior B Notes having an aggregate principal amount equal to the aggregate principal amount of Senior A Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Senior B Notes on the Shelf Registration Statement for this purpose and issue the Senior B Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) *General Provisions.* In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and

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the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or Prospectus;

(iii) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company

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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) in the case of a Shelf Registration Statement, furnish to each Holder, before filing with the Commission, copies of any Shelf Registration Statement or any Prospectus included therein or any amendments or supplements to any such Shelf Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Shelf Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Shelf Registration Statement or Prospectus or any amendment or supplement to any such Shelf Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document, if any, to each Holder, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(vii) in the case of a Shelf Registration Statement, make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all pertinent financial and other records and pertinent corporate documents of the Company and the Guarantors as shall be necessary to enable them to exercise any applicable

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due diligence responsibilities and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; *provided that* if any such information is identified by the Company or any Guarantor as being confidential or proprietary, each such Holder, attorney, accountant or any other person receiving such information shall take all actions as are reasonably necessary to protect the confidentiality of such information to the extent that such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of such Holder;

(viii) if requested by any Holders, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) in the case of a Shelf Registration Statement, furnish to each Holder, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Person reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) in the case of a Shelf Registration Statement and upon the request of any Holder of Transfer Restricted Securities covered thereby and being sold pursuant thereto (the “**Selling Holders**”), enter into such customary agreements (including underwriting agreements) and make such customary representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable

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Registration Statement contemplated by this Agreement as may be reasonably requested by any such Selling Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any such Selling Holder, furnish (or in the case of paragraphs (2) and (3), use their best efforts to cause to be furnished) to each such Selling Holder, as the case may be:

(1) a certificate, addressed to such Selling Holders and underwriters, if any, named in an underwriting agreement entered into pursuant to this Section 6(c)(xi) (the “**Shelf Underwriters**”), signed on behalf of Hovnanian by the Executive Vice President and Chief Financial Officer, confirming, as of the date thereof, the matters set forth in Sections 6(v), 6(w) and 9(a) of the Purchase Agreement and such other similar matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request;

(2) an opinion of counsel for the Company and the Guarantors, addressed to such Selling Holders and Shelf Underwriters, if any, which shall cover matters similar to those set forth in subsections (e) and (f) of Section 9 of the Purchase Agreement and such other additional matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request; and

(3) a comfort letter, addressed to such Selling Holders and Shelf Underwriters, if any, from the Company’s independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters addressed to underwriters in connection with underwritten offerings.

(B) deliver such other documents and certificates as may be reasonably requested by such Selling Holders and Shelf Underwriters, if any, to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided*,

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*however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities; and provide the Senior Trustee under the Senior 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 Senior Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Senior Trustee and the Holders to effect such changes to the Senior Indenture as may be required for such Senior Indenture to be so qualified in accordance

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with the terms of the TIA; and execute and use their best efforts to cause the Senior Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Senior Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) **Restrictions on Holders.** Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a “**Suspension Notice**”), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the

supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and, in each case, has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the “**Recommendation Date**”). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder’s possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company’s expense) all copies, other than permanent file copies, then in such Holder’s possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommendation Date.

## SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company’s and the Guarantors’ performance of, or compliance with, this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Senior B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and, in the case of a Shelf Registration Statement, of one counsel for the Holders of Transfer Restricted Securities, such counsel to be selected by a majority of the aggregate

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principal amount of Transfer Restricted Securities being sold; (v) all application and filing fees in connection with listing the Senior B Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors’ internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement, the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Senior A Notes in the Exchange Offer and/or selling or reselling Senior A Notes or Senior B Notes pursuant to the “Plan of Distribution” contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Davis Polk & Wardwell, unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Notwithstanding the foregoing, such Holders shall be responsible for any and all underwriting discounts and commissions and, prior to employing counsel in connection with an Exchange Offer, the Initial Purchasers will notify the Company and the Company’s counsel and provide them reasonable opportunity to discuss the need for separate counsel; *provided, however*, the Initial Purchasers shall at all times retain the sole right to employ separate counsel.

## SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder of Transfer Restricted Securities, its partners, directors, officers, and each person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which such Holder may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and shall reimburse each Holder of Transfer Restricted Securities for any legal or other expenses reasonably incurred

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by such Holder of Transfer Restricted Securities in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that (i) the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement in or omission or alleged omission from a Registration Statement, preliminary prospectus or Prospectus or in any amendment or supplement thereto made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by any such Holder of Transfer Restricted Securities or on behalf of such Holder of Transfer Restricted Securities specifically for inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder of Transfer Restricted Securities from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a Prospectus relating to such Securities was required to be delivered by such Holder of Transfer Restricted Securities under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder of Transfer Restricted Securities results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final Prospectus if the Company had previously furnished copies thereof to such Holder of Transfer Restricted Securities; *provided further, however*, that this indemnity agreement will be in addition to any liability which the Company and the Guarantors may otherwise have to such Holder of Transfer Restricted Securities and their controlling persons named above.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, the Guarantors, their respective directors and officers and each person, if any, who controls the Company or any Guarantors within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities to which the Company or the Guarantors may become subject under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, but in each case only to the extent that such untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by or on behalf of such Holder specifically for inclusion therein; and, shall reimburse, as incurred, the Company, the Guarantors for any legal or other expenses reasonably incurred by the Company or the Guarantors in connection with investigating or defending any

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such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which such Holder of Transfer Restricted Securities may otherwise have to the Company and the Guarantors or any of their controlling persons named above.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other from the sale of the Securities pursuant to a Registration Statement or the exchange of the Securities pursuant to the Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative

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benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors on the one hand and the Holders on the other shall be deemed to be in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors from the offering of the Transfer Restricted Securities pursuant to the Purchase Agreement and the securities to be issued in an Exchange Offer or pursuant to a Shelf Registration Statement, on the one hand, and by the Holders from receiving Transfer Restricted Securities or securities registered under the Securities Act pursuant to an Exchange Offer or a Shelf Registration Statement, on the other hand. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantors on the one hand or such Holder on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 8(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the total proceeds received by such Holders from the sale of the Transfer Restricted Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company or the Guarantors within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company and the Guarantors.

(e) The agreements contained in this Section 8 shall survive the sale of the Transfer Restricted Securities pursuant to a Shelf Registration Statement or the exchange of the Securities pursuant to an Exchange Offer and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

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## SECTION 9. MISCELLANEOUS

(a) *Remedies.* The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. To the extent permitted by applicable law, the Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) *No Inconsistent Agreements.* Neither the Company nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) *Amendments and Waivers.* The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 9(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or a Guarantor or their Affiliates). Notwithstanding the foregoing, a waiver or consent to a departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) *Third Party Beneficiary.* The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

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(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 Senior Indenture, with a copy to the Registrar under the Senior Indenture; and

(ii) if to the Company or the Guarantors:

c/o Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 07701

Telecopier No.: 732-747-6835  
Attention: General Counsel

with a copy to:

Simpson Thacher & Bartlett LLP  
425 Lexington Ave.  
New York, NY 10017

Telecopier No.: 212-455-2502  
Attention: Vincent Pagano Jr., Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Senior Trustee at the address specified in the Senior Indenture.

(f) *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders; *provided*, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Senior 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

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Agreement, and, by taking and holding such Transfer Restricted Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) *Severability.* To the extent permitted by applicable law, in the event that any one or more of the provisions contained herein or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) *Entire Agreement.* This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ Peter S. Reinhart  
Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

HOVNANIAN ENTERPRISES, INC.

By: /s/ Peter S. Reinhart  
Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

On behalf of each entity named in  
Schedule A hereto

By: /s/ Peter S. Reinhart  
Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

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Credit Suisse First Boston LLC  
Citigroup Global Markets Inc.  
UBS Securities LLC  
Wachovia Capital Markets, LLC,  
as Representatives of the several Initial Purchasers  
listed in Schedule B of the Purchase Agreement

By: Credit Suisse First Boston LLC

By: /s/ Eric A. Anderson  
Name: Eric A. Anderson  
Title: Managing Director

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**SCHEDULE A**

**GUARANTORS**

ALL SEASONS, INC.  
ARROW PROPERTIES, INC.  
CONDOMINIUM COMMUNITY (BOWIE NEW TOWN), INC.  
CONDOMINIUM COMMUNITY (LARGO TOWN), INC.  
CONDOMINIUM COMMUNITY (PARK PLACE), INC.  
CONDOMINIUM COMMUNITY (QUAIL RUN), INC.  
CONDOMINIUM COMMUNITY (TRUMAN DRIVE), INC.  
CONSULTANTS CORPORATION  
DESIGNED CONTRACTS, INC.  
EDISON CONTRACT SERVICES, L.L.C.  
EXC, INC.  
FORTIS HOMES, INC.  
HOUSING-HOME SALES, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT ALISO, L.L.C.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.  
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT BELLA LAGO, L.L.C.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
K. HOVNIANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT CAPISTRANO, L.L.C.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT CEDAR GROVE I, INC.  
K. HOVNIANIAN AT CEDAR GROVE II, INC.  
K. HOVNIANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNIANIAN AT CHAPARRAL, INC.

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K. HOVNIANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNIANIAN AT CITY IN THE HILLS, L.L.C.  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.

K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT FLORENCE I, L.L.C.  
K. HOVNIANIAN AT FLORENCE II, L.L.C.  
K. HOVNIANIAN AT FRANKLIN, L.L.C.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT HAWTHORNE, L.L.C.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT HIGHWATER, L.L.C.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT HUDSON POINT, L.L.C.  
K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT LA TERRAZA, INC.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT LOWER SAUCON II, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT MARLBORO II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IX, L.L.C.  
K. HOVNIANIAN AT MENIFEE VALLY, L.L.C.

K. HOVNIANIAN AT MENIFEE VALLEY CONDOMINIUMS, L.L.C.  
K. HOVNIANIAN OF METRO DC SOUTH, INC.  
K. HOVNIANIAN AT MILLVILLE I, L.L.C.  
K. HOVNIANIAN AT MONROE II, INC.  
K. HOVNIANIAN AT MONTCLAIR NJ, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC.  
K. HOVNIANIAN AT MONTVALE, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN II, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT PITTSBORO, L.L.C.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.



K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN AT TEANECK, L.L.C.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN AT THE CROSBY, L.L.C.  
K. HOVNIANIAN AT THE GLEN, INC.  
K. HOVNIANIAN AT THE PRESERVE, L.L.C.  
K. HOVNIANIAN AT THORNBURY, INC.

K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT WILDROSE, INC.  
K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN AT WOOLWICH I, L.L.C.  
K. HOVNIANIAN AT YONKERS I, L.L.C.  
K. HOVNIANIAN AT YONKERS II, L.L.C.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MICHIGAN, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.  
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.  
K. HOVNIANIAN EQUITIES, INC.  
K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILAGE, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT MENIFEE VALLEY, L.L.C.  
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.  
K. HOVNIANIAN HOMES OF D.C., L.L.C.  
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.  
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN MARINE, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.

MCNJ, INC.  
PINE BROOK COMPANY, INC.  
QUE CORPORATION  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
THE NEW FORTIS CORPORATION  
THE SOUTHAMPTON CORPORATION  
WASHINGTON HOMES AT CAMERON STATION, L.L.C.  
WASHINGTON HOMES AT RUSSETT, L.L.C.  
WASHINGTON HOMES OF WEST VIRGINIA, INC.  
WASHINGTON HOMES, INC.  
WASHINGTON HOMES, INC. OF VIRGINIA  
WESTMINSTER HOMES (CHARLOTTE), INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH LAND II, INC.  
WH PROPERTIES, INC.  
ARBOR WEST, L.L.C.  
DULLES COPPERMINE, L.L.C.  
K. HOVNIANIAN AT 4S, L.L.C.  
K. HOVNIANIAN AT ACQUA VISTA, L.L.C.

K. HOVNIANIAN AT ARBOR HEIGHTS, LLC  
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.  
K. HOVNIANIAN AT BARNEGAT I, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.  
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNIANIAN AT CAMDEN I, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT CLIFTON II, L.L.C.  
K. HOVNIANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNIANIAN AT CRANBURY, L.L.C.  
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNIANIAN AT DENVILLE, L.L.C.  
K. HOVNIANIAN AT EASTLAKE, L.L.C.  
K. HOVNIANIAN AT EDGEWATER, L.L.C.  
K. HOVNIANIAN AT EDGEWATER II, L.L.C.  
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNIANIAN AT FOREST MEADOWS, L.L.C.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN II, L.L.C.  
K. HOVNIANIAN AT HAMBURG, L.L.C.  
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT JACKSON I, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT LA COSTA, L.L.C.  
K. HOVNIANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT LAWRENCE V, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.

K. HOVNIANIAN AT LONG BRANCH I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.

K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.  
K. HOVNIANIAN AT MANALAPAN II, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, LLC  
K. HOVNIANIAN AT MANSFIELD II, LLC  
K. HOVNIANIAN AT MANSFIELD III, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP V, L.L.C.  
K. HOVNIANIAN AT MARLBORO VI, L.L.C.  
K. HOVNIANIAN AT MARLBORO VII, L.L.C.  
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN AT MONROE III, L.L.C.  
K. HOVNIANIAN AT MOSAIC, L.L.C.  
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL, L.L.C.  
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.  
K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.  
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.  
K. HOVNIANIAN AT NORTHFIELD, L.L.C.  
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.  
K. HOVNIANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT PARK LANE, L.L.C.  
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNIANIAN AT RANDOLPH I, L.L.C.  
K. HOVNIANIAN AT READINGTON II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND, L.L.C.  
K. HOVNIANIAN AT RODERUCK, L.L.C.  
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT SAYREVILLE, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNIANIAN AT SOMERS POINT, L.L.C.  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT SUNSETS, L.L.C.

K. HOVNIANIAN AT THE GABLES, L.L.C.  
K. HOVNIANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT WASHINGTON, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT WAYNE IX, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNIANIAN COMPANIES, LLC  
K. HOVNIANIAN CONSTRUCTION II, INC.  
K. HOVNIANIAN CONSTRUCTION III, INC.  
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.  
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.  
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN ENTERPRISES, INC.  
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNIANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.  
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNIANIAN GREAT WESTERN HOMES, L.L.C.  
K. HOVNIANIAN HOLDINGS NJ, L.L.C.  
K. HOVNIANIAN INVESTMENTS, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.  
K. HOVNIANIAN OHIO REALTY, L.L.C.  
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.

K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNIANIAN WINDWARD HOMES, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT HEMET, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
KHIP, LLC  
KINGS COURT AT MONTGOMERY, L.L.C.  
M&M AT APPLE RIDGE, L.L.C.  
M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, L.L.C.  
M&M AT EAST MILL, L.L.C.  
M&M AT HERITAGE WOODS, L.L.C.  
M&M AT KENSINGTON WOODS, L.L.C.  
M&M AT MORRISTOWN, L.L.C.  
M & M AT ROBERT MORRIS, L.L.C.  
M&M AT SHERIDAN, L.L.C.  
M & M AT SOUTH BOUND BROOK, L.L.C.  
M&M AT SPARTA, L.L.C.  
M&M AT SPINNAKER POINTE, L.L.C.  
M&M AT SPRUCE HOLLOW, L.L.C.  
M&M AT SPRUCE MEADOWS, L.L.C.  
M&M AT SPRUCE RUN, L.L.C.  
M&M AT THE HIGHLANDS, L.L.C.  
M&M AT WEST ORANGE, L.L.C.  
M&M AT WHEATENA URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT CRANBURY KNOLL, L.L.C.  
MATZEL & MUMFORD AT FREEHOLD, L.L.C.  
MATZEL & MUMFORD AT HERITAGE LANDING, L.L.C.  
MATZEL & MUMFORD AT MONTGOMERY, L.L.C.  
MATZEL & MUMFORD AT PHILLIPSBURG, L.L.C.  
MATZEL & MUMFORD AT SOUTH BRUNSWICK, L.L.C.  
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.  
MMIP, L.L.C.  
PADDOCKS, L.L.C.  
RIDGEMORE UTILITY, L.L.C.  
THE LANDINGS AT SPINNAKER POINTE, L.L.C.  
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.  
WASHINGTON HOMES AT CAMP SPRINGS, L.L.C.  
WASHINGTON HOMES AT FOREST RUN, L.L.C.  
WASHINGTON HOMES AT LAUREL HIGHLANDS, L.L.C.  
WASHINGTON HOMES AT RENAISSANCE PLAZA, L.L.C.  
WASHINGTON HOMES OF MARYLAND I, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WESTMINSTER HOMES OF SOUTH CAROLINA, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, LLC

GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNIANIAN OF HOUSTON II, L.P.  
K. HOVNIANIAN OF HOUSTON, L.P.  
M & M INVESTMENTS, L.P.  
WASHABAMA, L.P.

SENIOR SUBORDINATED NOTES A/B EXCHANGE  
REGISTRATION RIGHTS AGREEMENT

Dated as of November 30, 2004

by and among

K. Hovnanian Enterprises, Inc.

Hovnanian Enterprises, Inc.

And Certain of its Subsidiaries

and

CREDIT SUISSE FIRST BOSTON LLC  
CITIGROUP GLOBAL MARKETS INC.  
UBS SECURITIES LLC  
WACHOVIA CAPITAL MARKETS, LLC

This Registration Rights Agreement (this “**Agreement**”) is made and entered into as of November 30, 2004 by and among K. Hovnanian Enterprises, Inc., a California corporation (the “**Company**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”), and certain subsidiary guarantors of Hovnanian party hereto (together with Hovnanian, the “**Guarantors**” and Credit Suisse First Boston LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wachovia Capital Markets, LLC, as Representatives of the several initial purchasers listed in Schedule B to the Purchase Agreement (as defined below) (each an “**Initial Purchaser**” and, collectively, the “**Initial Purchasers**”), each of whom has agreed to purchase the Company’s 6% Series A Senior Subordinated Notes due 2010 (the “**Subordinated A Notes**”) pursuant to the Purchase Agreement.

This Agreement is made pursuant to the Purchase Agreement, dated November 15, 2004 (the “**Purchase Agreement**”), by and among the Company, the Guarantors party thereto and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Subordinated A Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them in the Subordinated Indenture, dated November 30, 2004, among the Company, the Guarantors and Wachovia Bank, National Association, as trustee (the “**Subordinated Trustee**”), relating to the Subordinated A Notes and the Subordinated B Notes (as defined below) (the “**Subordinated Indenture**”).

The parties hereby agree as follows:

#### SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

**Act:** The Securities Act of 1933, as amended.

**Affiliate:** As defined in Rule 144 of the Act.

**Broker-Dealer:** Any broker or dealer registered under the Exchange Act.

**Certificated Securities:** Certificated Notes, as defined in the Subordinated 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 Subordinated B Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement as continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Subordinated Trustee under the Subordinated Indenture of Subordinated B Notes in the same aggregate principal amount as the aggregate principal amount of Subordinated A Notes tendered by Holders thereof pursuant to the Exchange Offer.

**Consummation Deadline:** As defined in Section 3(b) hereof.

**Effectiveness Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Exchange Act:** The Securities Exchange Act of 1934, as amended.

**Exchange Offer:** The exchange and issuance by the Company of a principal amount of Subordinated B Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Subordinated A Notes that are tendered by Holders in connection with such exchange and issuance.

**Exchange Offer Registration Statement:** The Registration Statement relating to the Exchange Offer, including the related Prospectus.

**Filing Deadline:** As defined in Sections 3(a) or 4(a) hereof, as applicable.

**Holders:** As defined in Section 2 hereof.

**Participating Broker-Dealer:** As defined in Section 3(c) hereof.

**Prospectus:** The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

**Recommendation Date:** As defined in Section 6(d) hereof.

**Registration Default:** As defined in Section 5 hereof.

**Registration Statement:** The Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, and, in each case, including the Prospectus and exhibits included therein.

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**Regulation S:** Regulation S promulgated under the Act.

**Rule 144:** Rule 144 promulgated under the Act.

**Selling Holders:** As defined in Section 6(c)(xi).

**Subordinated B Notes:** The Company's 6% Series B Senior Subordinated Notes due 2010 to be issued under the Subordinated Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

**Shelf Registration Statement:** As defined in Section 4(a) hereof.

**Shelf Underwriters:** As defined in Section 6(c)(xi)(A)(1).

**Suspension Notice:** As defined in Section 6(d) hereof.

**TIA:** The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbb) as in effect on the date of the Subordinated Indenture.

**Transfer Restricted Securities:** Each Subordinated A Note, until the earliest to occur of (a) the date on which such Subordinated A Note is exchanged in the Exchange Offer for a Subordinated 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 Subordinated A Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Subordinated B Notes) or (c) the date on which such Subordinated A Note is distributed to the public pursuant to Rule 144 or Regulation S under the Act (and purchasers thereof have been issued Subordinated B Notes) and each Subordinated B Note issued to a Broker Dealer until the date on which such Subordinated B Note is disposed of by such Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

## SECTION 2. HOLDERS

A person is deemed to be a holder of Transfer Restricted Securities (a "**Holder**") whenever such person owns Transfer Restricted Securities.

## SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "**Filing Deadline**"), (ii) use their

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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 Subordinated B Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, *provided, however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject; (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Subordinated B Notes to be offered in exchange for the Subordinated A Notes that are Transfer Restricted Securities and (ii) resales of Subordinated B Notes by Broker-Dealers that tendered into the Exchange Offer Subordinated A Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Subordinated A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously for the period specified in Section 3(c) below and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; *provided, however*, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Subordinated B Notes and the guarantees thereof shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their reasonable best efforts to cause the Exchange Offer to be consummated on or prior to 30 Business Days after the Exchange Offer Registration Statement has become effective, but in no event later than 40 Business Days thereafter (such 40th day being the "**Consummation Deadline**").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Subordinated A Notes acquired

directly from the Company, the Guarantors or any of their Affiliates) (a “**Participating Broker-Dealer**”) may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such “Plan of Distribution” section shall also contain all other information with respect to such sales by such Participating Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such “Plan of Distribution” shall not name any such Participating Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Participating Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling No-Action Letter (available July 2, 1993).

Because such Participating Broker-Dealer may be deemed to be an “underwriter” within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Subordinated B Notes received by such Participating Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Participating Broker-Dealer to satisfy such prospectus delivery requirement. In light of the foregoing, if requested by any Participating Broker-Dealer and to the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Subordinated B Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time for a period of 180 days from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers promptly upon request and in no event later than one Business Day after such request at any time during such period.

#### SECTION 4. SHELF REGISTRATION

(a) *Shelf Registration.* If (i) the Exchange Offer is not permitted by applicable law (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) based on an opinion of counsel, such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder is a Broker-Dealer and holds Subordinated A Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

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(x) cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in clause (a)(ii) above, (such earlier date, the “**Filing Deadline**”), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement) (the “**Shelf Registration Statement**”), relating to all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 60 days after the Filing Deadline for the Shelf Registration Statement (such 60th day being the “**Effectiveness Deadline**”).

If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; *provided that*, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) *Provision by Holders of Certain Information in Connection with the Shelf Registration Statement.* No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted

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Securities shall be entitled to additional interest pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

#### SECTION 5. ADDITIONAL INTEREST

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a “**Registration Default**”), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby additional interest in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of additional interest shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of additional interest of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; *provided that* the Company and the Guarantors shall in no event be required to pay additional interest for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon the filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the additional interest payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued additional interest shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in the Subordinated Indenture on each Interest Payment Date as more fully set forth in the Subordinated Indenture and the Notes. Notwithstanding the fact that any securities for which additional interest is due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay additional interest with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

## SECTION 6. REGISTRATION PROCEDURES

(a) *Exchange Offer Registration Statement.* In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Subordinated B Notes by Broker-Dealers that tendered in the Exchange Offer Subordinated 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 Subordinated A Notes acquired directly from the Company, the Guarantors or any of their Affiliates) being sold in accordance with the intended method or methods of distribution thereof and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including, without limitation, (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker-Dealer) shall furnish, upon the request of the Company, prior to the consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be

contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company or the Guarantors, (B) it is not engaged in, does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Subordinated B Notes to be issued in the Exchange Offer and (C) it is acquiring the Subordinated 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 Subordinated B Notes shall acknowledge and agree that, if the resales are of Subordinated B Notes obtained by such Holder in exchange for Subordinated A Notes acquired directly from the Company, the Guarantors or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in the Morgan Stanley and Company Incorporated (available June 5, 1991) and Exxon Capital Holdings Corporation No-Action Letters (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling (available July 2, 1993) and similar No-Action Letters (including, if applicable, any No-Action Letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Subordinated 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 Subordinated B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Subordinated B Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(iv) If requested by any Participating Broker-Dealer delivering the Prospectus contained in the Exchange Offer Registration Statement in connection with its initial sale of any Subordinated B Notes received by it in the Exchange Offer, the Company and the Guarantors shall use their best efforts to furnish to each such Participating Broker-Dealer (i) an opinion of counsel of the Company and the Guarantors addressed to such Participating Broker-Dealer covering the matters set forth in Section 6(c)(xi)(A)(2) herein with such changes as are customary in connection with an Exchange Offer Registration Statement and (ii) a comfort letter, addressed to such Participating Broker-Dealer from the Company's independent public accountants, in the customary form, covering the matters set forth in Section 6(c)(xi)(A)(3) herein, with appropriate date changes.

(b) *Shelf Registration Statement.* In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Subordinated A Notes covered by any Shelf Registration Statement contemplated by this Agreement, Subordinated B Notes having an aggregate principal amount equal to the aggregate principal amount of Subordinated A Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Subordinated B Notes on the Shelf Registration Statement for this purpose and issue the Subordinated B Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.



(c) *General Provisions.* In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite

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financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or Prospectus;

(iii) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the

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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) in the case of a Shelf Registration Statement, furnish to each Holder, before filing with the Commission, copies of any Shelf Registration Statement or any Prospectus included therein or any amendments or supplements to any such Shelf Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Shelf Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Shelf Registration Statement or Prospectus or any amendment or supplement to any such Shelf Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) in the case of a Shelf Registration Statement, promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document, if any, to each Holder, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

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(vii) in the case of a Shelf Registration Statement, make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all pertinent financial and other records and pertinent corporate documents of the Company and the Guarantors as shall be necessary to enable them to exercise any applicable due diligence responsibilities and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness; *provided that* if any such information is identified by the Company or any Guarantor as being confidential or proprietary, each such Holder, attorney, accountant or any other person receiving such information shall take all actions as are reasonably necessary to protect the confidentiality of such information to the extent that such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of such Holder;

(viii) if requested by any Holders, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) in the case of a Shelf Registration Statement, furnish to each Holder, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) in the case of a Shelf Registration Statement or if requested by a Participating Broker-Dealer, deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Person reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) in the case of a Shelf Registration Statement and upon the request of any Holder of Transfer Restricted Securities covered thereby

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and being sold pursuant thereto (the “**Selling Holders**”), enter into such customary agreements (including underwriting agreements) and make such customary representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any such Selling Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any such Selling Holder, furnish (or in the case of paragraphs (2) and (3), use their best efforts to cause to be furnished) to each such Selling Holder, as the case may be:

(1) a certificate, addressed to such Selling Holders and underwriters, if any, named in an underwriting agreement entered into pursuant to this Section 6(c)(xi) (the “**Shelf Underwriters**”), signed on behalf of Hovnanian by the Executive Vice President and Chief Financial Officer, confirming, as of the date thereof, the matters set forth in Sections 6(v), 6(w) and 9(a) of the Purchase Agreement and such other similar matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request;

(2) an opinion of counsel for the Company and the Guarantors, addressed to such Selling Holders and Shelf Underwriters, if any, which shall cover matters similar to those set forth in subsections (e) and (f) of Section 9 of the Purchase Agreement and such other additional matters as such Selling Holders and Shelf Underwriters, if any, may reasonably request; and

(3) a comfort letter, addressed to such Selling Holders and Shelf Underwriters, if any, from the Company’s independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters addressed to underwriters in connection with underwritten offerings.

(B) deliver such other documents and certificates as may be reasonably requested by such Selling Holders and Shelf Underwriters, if any, to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the

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registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; *provided, however*, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities pursuant to a Shelf Registration Statement that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities; and provide the Subordinated Trustee under the Subordinated 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);

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(xvii) cause the Subordinated 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 Subordinated Trustee and the Holders to effect such changes to the Subordinated Indenture as may be required for such Subordinated Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their best efforts to cause the Subordinated 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 Subordinated Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) **Restrictions on Holders.** Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii) (C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a “**Suspension Notice**”), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and, in each case, has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the “**Recommendation Date**”). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then

in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

## SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of, or compliance with, this Agreement will be borne by the Company and the Guarantors, regardless of whether a Registration Statement becomes effective, including, without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and

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state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Subordinated B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and, in the case of a Shelf Registration Statement, of one counsel for the Holders of Transfer Restricted Securities, such counsel to be selected by a majority of the aggregate principal amount of Transfer Restricted Securities being sold; (v) all application and filing fees in connection with listing the Subordinated 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, the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Subordinated A Notes in the Exchange Offer and/or selling or reselling Subordinated A Notes or Subordinated B Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Davis Polk & Wardwell, unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Notwithstanding the foregoing, such Holders shall be responsible for any and all underwriting discounts and commissions and, prior to employing counsel in connection with an Exchange Offer, the Initial Purchasers will notify the Company and the Company's counsel and provide them reasonable opportunity to discuss the need for separate counsel; *provided, however*, the Initial Purchasers shall at all times retain the sole right to employ separate counsel.

## SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder of Transfer Restricted Securities, its partners, directors, officers, and each person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which such Holder may become subject, under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact

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contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and shall reimburse each Holder of Transfer Restricted Securities for any legal or other expenses reasonably incurred by such Holder of Transfer Restricted Securities in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that (i) the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement in or omission or alleged omission from a Registration Statement, preliminary prospectus or Prospectus or in any amendment or supplement thereto made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by any such Holder of Transfer Restricted Securities or on behalf of such Holder of Transfer Restricted Securities specifically for inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder of Transfer Restricted Securities from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a Prospectus relating to such Securities was required to be delivered by such Holder of Transfer Restricted Securities under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder of Transfer Restricted Securities results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final Prospectus if the Company had previously furnished copies thereof to such Holder of Transfer Restricted Securities; *provided further, however*, that this indemnity agreement will be in addition to any liability which the Company and the Guarantors may otherwise have to such Holder of Transfer Restricted Securities and their controlling persons named above.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, the Guarantors, their respective directors and officers and each person, if any, who controls the Company or any Guarantors within the meaning of Section 15 of the Securities Act against any losses, claims, damages or liabilities to which the Company or the Guarantors may become subject under the Securities Act or the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in a Registration Statement, preliminary prospectus or Prospectus (or in any amendment or supplement thereto) or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading, but in each case

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only to the extent that such untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information furnished to the Company and the Guarantors by or on behalf of such Holder specifically for inclusion therein; and, shall reimburse, as incurred, the Company, the Guarantors for any legal or other expenses reasonably incurred by the Company or the Guarantors in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which such Holder of Transfer Restricted Securities may otherwise have to the Company and the Guarantors or any of their controlling persons named above.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it

from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is

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appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other from the sale of the Securities pursuant to a Registration Statement or the exchange of the Securities pursuant to the Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Guarantors on the one hand and the Holders of Transfer Restricted Securities on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantors on the one hand and the Holders on the other shall be deemed to be in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors from the offering of the Transfer Restricted Securities pursuant to the Purchase Agreement and the securities to be issued in an Exchange Offer or pursuant to a Shelf Registration Statement, on the one hand, and by the Holders from receiving Transfer Restricted Securities or securities registered under the Securities Act pursuant to an Exchange Offer or a Shelf Registration Statement, on the other hand. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantors on the one hand or such Holder on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 8(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the total proceeds received by such Holders from the sale of the Transfer Restricted Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company or the Guarantors within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company and the Guarantors.

(e) The agreements contained in this Section 8 shall survive the sale of the Transfer Restricted Securities pursuant to a Shelf Registration Statement or the

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exchange of the Securities pursuant to an Exchange Offer and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

## SECTION 9. MISCELLANEOUS

(a) *Remedies.* The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. To the extent permitted by applicable law, the Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) *No Inconsistent Agreements.* Neither the Company nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) *Amendments and Waivers.* The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 9(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or a Guarantor or their Affiliates). Notwithstanding the foregoing, a waiver or consent to a departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) *Third Party Beneficiary.* The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and

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shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(e) *Notices.* All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Subordinated Indenture, with a copy to the Registrar under the Subordinated Indenture; and

(ii) if to the Company or the Guarantors:

c/o Hovnanian Enterprises, Inc.  
10 Highway 35  
P.O. Box 500  
Red Bank, NJ 07701

Telecopier No.: 732-747-6835  
Attention: General Counsel

with a copy to:

Simpson Thacher & Bartlett LLP  
425 Lexington Ave.  
New York, NY 10017

Telecopier No.: 212-455-2502  
Attention: Vincent Pagano Jr., Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Subordinated Trustee at the address specified in the Subordinated Indenture.

(f) *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation, and without the need for an express assignment, subsequent Holders; *provided*, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted

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Securities in violation of the terms hereof or of the Purchase Agreement or the Subordinated Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and, by taking and holding such Transfer Restricted Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) *Severability.* To the extent permitted by applicable law, in the event that any one or more of the provisions contained herein or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) *Entire Agreement.* This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ Peter S. Reinhart

Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

HOVNANIAN ENTERPRISES, INC.

By: /s/ Peter S. Reinhart

Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

On behalf of each entity named in  
Schedule A hereto

By: /s/ Peter S. Reinhart  
Name: Peter S. Reinhart  
Title: Senior Vice-President and General Counsel

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Credit Suisse First Boston LLC  
Citigroup Global Markets Inc.  
UBS Securities LLC  
Wachovia Capital Markets, LLC,  
as Representatives of the several Initial Purchasers  
listed in Schedule B of the Purchase Agreement

By: Credit Suisse First Boston LLC

By: /s/ Eric A. Anderson  
Name: Eric A. Anderson  
Title: Managing Director

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## SCHEDULE A

### GUARANTORS

ALL SEASONS, INC.  
ARROW PROPERTIES, INC.  
CONDOMINIUM COMMUNITY (BOWIE NEW TOWN), INC.  
CONDOMINIUM COMMUNITY (LARGO TOWN), INC.  
CONDOMINIUM COMMUNITY (PARK PLACE), INC.  
CONDOMINIUM COMMUNITY (QUAIL RUN), INC.  
CONDOMINIUM COMMUNITY (TRUMAN DRIVE), INC.  
CONSULTANTS CORPORATION  
DESIGNED CONTRACTS, INC.  
EDISON CONTRACT SERVICES, L.L.C.  
EXC, INC.  
FORTIS HOMES, INC.  
HOUSING-HOME SALES, INC.  
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
K. HOV INTERNATIONAL, INC.  
K. HOV IP, II, INC.  
K. HOV IP, INC.  
K. HOVNIANIAN ACQUISITIONS, INC.  
K. HOVNIANIAN AT ALISO, L.L.C.  
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.  
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.  
K. HOVNIANIAN AT BARRINGTON, INC.  
K. HOVNIANIAN AT BELLA LAGO, L.L.C.  
K. HOVNIANIAN AT BELMONT, INC.  
K. HOVNIANIAN AT BERNARDS IV, INC.  
K. HOVNIANIAN AT BRANCHBURG III, INC.  
K. HOVNIANIAN AT BRIDGEPORT, INC.  
K. HOVNIANIAN AT BRIDGEWATER VI, INC.  
K. HOVNIANIAN AT BRIDLEWOOD, L.L.C.  
K. HOVNIANIAN AT BULL RUN, INC.  
K. HOVNIANIAN AT BURLINGTON III, INC.  
K. HOVNIANIAN AT BURLINGTON, INC.  
K. HOVNIANIAN AT CALABRIA, INC.  
K. HOVNIANIAN AT CAPISTRANO, L.L.C.  
K. HOVNIANIAN AT CAMERON CHASE, INC.  
K. HOVNIANIAN AT CARMEL DEL MAR, INC.  
K. HOVNIANIAN AT CASTILE, INC.  
K. HOVNIANIAN AT CEDAR GROVE I, INC.  
K. HOVNIANIAN AT CEDAR GROVE II, INC.  
K. HOVNIANIAN AT CEDAR GROVE IV, L.L.C.  
K. HOVNIANIAN AT CHAPARRAL, INC.

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K. HOVNIANIAN AT CHESTERFIELD, L.L.C.  
K. HOVNIANIAN AT CITY IN THE HILLS, L.L.C.  
K. HOVNIANIAN AT CLARKSTOWN, INC.  
K. HOVNIANIAN AT CRESTLINE, INC.

K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.  
K. HOVNIANIAN AT DOMINION RIDGE, INC.  
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.  
K. HOVNIANIAN AT EAST WHITELAND I, INC.  
K. HOVNIANIAN AT EXETER HILLS, INC.  
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.  
K. HOVNIANIAN AT FAIR LAKES, INC.  
K. HOVNIANIAN AT FLORENCE I, L.L.C.  
K. HOVNIANIAN AT FLORENCE II, L.L.C.  
K. HOVNIANIAN AT FRANKLIN, L.L.C.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN, INC.  
K. HOVNIANIAN AT HAMPTON OAKS, INC.  
K. HOVNIANIAN AT HAWTHORNE, L.L.C.  
K. HOVNIANIAN AT HERSHEY'S MILL, INC.  
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.  
K. HOVNIANIAN AT HIGHWATER, L.L.C.  
K. HOVNIANIAN AT HOLLY CREST, INC.  
K. HOVNIANIAN AT HOPEWELL IV, INC.  
K. HOVNIANIAN AT HOPEWELL VI, INC.  
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.  
K. HOVNIANIAN AT HUDSON POINT, L.L.C.  
K. HOVNIANIAN AT HUNTER ESTATES, INC.  
K. HOVNIANIAN AT KINGS GRANT I, INC.  
K. HOVNIANIAN AT KLOCKNER FARMS, INC.  
K. HOVNIANIAN AT LA TERRAZA, INC.  
K. HOVNIANIAN AT LA TROVATA, INC.  
K. HOVNIANIAN AT LAKEWOOD, INC.  
K. HOVNIANIAN AT LOWER SAUCON II, INC.  
K. HOVNIANIAN AT LOWER SAUCON, INC.  
K. HOVNIANIAN AT MAHWAH II, INC.  
K. HOVNIANIAN AT MAHWAH V, INC.  
K. HOVNIANIAN AT MAHWAH VI, INC.  
K. HOVNIANIAN AT MAHWAH VII, INC.  
K. HOVNIANIAN AT MANALAPAN, INC.  
K. HOVNIANIAN AT MARLBORO II, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP IX, L.L.C.  
K. HOVNIANIAN AT MENIFEE VALLY, L.L.C.

K. HOVNIANIAN AT MENIFEE VALLEY CONDOMINIUMS, L.L.C.  
K. HOVNIANIAN OF METRO DC SOUTH, INC.  
K. HOVNIANIAN AT MILLVILLE I, L.L.C.  
K. HOVNIANIAN AT MONROE II, INC.  
K. HOVNIANIAN AT MONTCLAIR NJ, INC.  
K. HOVNIANIAN AT MONTCLAIR, INC.  
K. HOVNIANIAN AT MONTGOMERY I, INC.  
K. HOVNIANIAN AT MONTVALE, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN II, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.  
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.  
K. HOVNIANIAN AT NORTHLAKE, INC.  
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.  
K. HOVNIANIAN AT OCEAN WALK, INC.  
K. HOVNIANIAN AT P.C. PROPERTIES, INC.  
K. HOVNIANIAN AT PARK RIDGE, INC.  
K. HOVNIANIAN AT PERKIOMEN I, INC.  
K. HOVNIANIAN AT PERKIOMEN II, INC.  
K. HOVNIANIAN AT PITTSBORO, L.L.C.  
K. HOVNIANIAN AT PLAINSBORO III, INC.  
K. HOVNIANIAN AT PRINCETON, INC.  
K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.  
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.  
K. HOVNIANIAN AT RIVER OAKS, INC.  
K. HOVNIANIAN AT SAN SEVAINE, INC.  
K. HOVNIANIAN AT SARATOGA, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, INC.  
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.

K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN AT TEANECK, L.L.C.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN AT THE CROSBY, L.L.C.  
K. HOVNIANIAN AT THE GLEN, INC.  
K. HOVNIANIAN AT THE PRESERVE, L.L.C.  
K. HOVNIANIAN AT THORNBURY, INC.

K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN AT WAYNE V, INC.  
K. HOVNIANIAN AT WILDROSE, INC.  
K. HOVNIANIAN AT WOODMONT, INC.  
K. HOVNIANIAN AT WOOLWICH I, L.L.C.  
K. HOVNIANIAN AT YONKERS I, L.L.C.  
K. HOVNIANIAN AT YONKERS II, L.L.C.  
K. HOVNIANIAN COMPANIES NORTHEAST, INC.  
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.  
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.  
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.  
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.  
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.  
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.  
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.  
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.  
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.  
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MICHIGAN, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.  
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.  
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.  
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.  
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.  
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.  
K. HOVNIANIAN EQUITIES, INC.  
K. HOVNIANIAN FORECAST HOMES, INC.  
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILAGE, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT MENIFEE VALLEY, L.L.C.  
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.  
K. HOVNIANIAN HOMES OF D.C., L.L.C.  
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.  
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.  
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.  
K. HOVNIANIAN MARINE, INC.  
K. HOVNIANIAN PA REAL ESTATE, INC.  
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.  
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.  
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.  
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN PROPERTIES OF WALL, INC.  
KHC ACQUISITION, INC.  
LANDARAMA, INC.  
M&M AT LONG BRANCH, INC.  
MATZEL & MUMFORD OF DELAWARE, INC.  
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.



MCNJ, INC.  
PINE BROOK COMPANY, INC.  
QUE CORPORATION  
REFLECTIONS OF YOU INTERIORS, INC.  
SEABROOK ACCUMULATION CORPORATION  
STONEBROOK HOMES, INC.  
THE MATZEL & MUMFORD ORGANIZATION, INC.  
THE NEW FORTIS CORPORATION  
THE SOUTHAMPTON CORPORATION  
WASHINGTON HOMES AT CAMERON STATION, L.L.C.  
WASHINGTON HOMES AT RUSSETT, L.L.C.  
WASHINGTON HOMES OF WEST VIRGINIA, INC.  
WASHINGTON HOMES, INC.  
WASHINGTON HOMES, INC. OF VIRGINIA  
WESTMINSTER HOMES (CHARLOTTE), INC.  
WESTMINSTER HOMES OF TENNESSEE, INC.  
WESTMINSTER HOMES, INC.  
WH LAND I, INC  
WH LAND II, INC.  
WH PROPERTIES, INC.  
ARBOR WEST, L.L.C.  
DULLES COPPERMINE, L.L.C.  
K. HOVNIANIAN AT 4S, L.L.C.  
K. HOVNIANIAN AT ACQUA VISTA, L.L.C.

K. HOVNIANIAN AT ARBOR HEIGHTS, LLC  
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.  
K. HOVNIANIAN AT BARNEGAT I, L.L.C.  
K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT BRENBROOKE, L.L.C.  
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.  
K. HOVNIANIAN AT CAMDEN I, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT CLIFTON II, L.L.C.  
K. HOVNIANIAN AT CORTEZ HILL, L.L.C.  
K. HOVNIANIAN AT CRANBURY, L.L.C.  
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.  
K. HOVNIANIAN AT DENVILLE, L.L.C.  
K. HOVNIANIAN AT EASTLAKE, L.L.C.  
K. HOVNIANIAN AT EDGEWATER, L.L.C.  
K. HOVNIANIAN AT EDGEWATER II, L.L.C.  
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.  
K. HOVNIANIAN AT FOREST MEADOWS, L.L.C.  
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT HACKETTSTOWN II, L.L.C.  
K. HOVNIANIAN AT HAMBURG, L.L.C.  
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.  
K. HOVNIANIAN AT JACKSON I, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.  
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL CO., L.L.C.  
K. HOVNIANIAN AT KINCAID, L.L.C.  
K. HOVNIANIAN AT KING FARM, L.L.C.  
K. HOVNIANIAN AT LA COSTA, L.L.C.  
K. HOVNIANIAN AT LA HABRA KNOLLS, L.L.C.  
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.  
K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.  
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.  
K. HOVNIANIAN AT LAWRENCE V, L.L.C.  
K. HOVNIANIAN AT LINWOOD, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.  
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.

K. HOVNIANIAN AT LONG BRANCH I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.  
K. HOVNIANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.

K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.  
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.  
K. HOVNIANIAN AT MANALAPAN II, L.L.C.  
K. HOVNIANIAN AT MANSFIELD I, LLC  
K. HOVNIANIAN AT MANSFIELD II, LLC  
K. HOVNIANIAN AT MANSFIELD III, L.L.C.  
K. HOVNIANIAN AT MARLBORO TOWNSHIP V, L.L.C.  
K. HOVNIANIAN AT MARLBORO VI, L.L.C.  
K. HOVNIANIAN AT MARLBORO VII, L.L.C.  
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.  
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.  
K. HOVNIANIAN AT MONROE III, L.L.C.  
K. HOVNIANIAN AT MOSAIC, L.L.C.  
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.  
K. HOVNIANIAN AT NORTH BERGEN, L.L.C.  
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.  
K. HOVNIANIAN AT NORTH CALDWELL, L.L.C.  
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.  
K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.  
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.  
K. HOVNIANIAN AT NORTHFIELD, L.L.C.  
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.  
K. HOVNIANIAN AT OLDE ORCHARD, L.L.C.  
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.  
K. HOVNIANIAN AT PARAMUS, L.L.C.  
K. HOVNIANIAN AT PARK LANE, L.L.C.  
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.  
K. HOVNIANIAN AT RANDOLPH I, L.L.C.  
K. HOVNIANIAN AT READINGTON II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND II, L.L.C.  
K. HOVNIANIAN AT RIVERBEND, L.L.C.  
K. HOVNIANIAN AT RODERUCK, L.L.C.  
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.  
K. HOVNIANIAN AT SAYREVILLE, L.L.C.  
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.  
K. HOVNIANIAN AT SOMERS POINT, L.L.C.  
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.  
K. HOVNIANIAN AT SOUTH BANK, L.L.C.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.  
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.  
K. HOVNIANIAN AT SUNSETS, L.L.C.

K. HOVNIANIAN AT THE GABLES, L.L.C.  
K. HOVNIANIAN AT TRAIL RIDGE, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.  
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.  
K. HOVNIANIAN AT WANAQUE, L.L.C.  
K. HOVNIANIAN AT WASHINGTON, L.L.C.  
K. HOVNIANIAN AT WAYNE VIII, L.L.C.  
K. HOVNIANIAN AT WAYNE IX, L.L.C.  
K. HOVNIANIAN AT WEST MILFORD, L.L.C.  
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.  
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.  
K. HOVNIANIAN AT WINCHESTER, L.L.C.  
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.  
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.  
K. HOVNIANIAN COMPANIES, LLC  
K. HOVNIANIAN CONSTRUCTION II, INC.  
K. HOVNIANIAN CONSTRUCTION III, INC.  
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.  
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.  
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.  
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN ENTERPRISES, INC.  
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, L.L.C.  
K. HOVNIANIAN FOUR SEASONS AT HISTORIC VIRGINIA, L.L.C.  
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, L.L.C.  
K. HOVNIANIAN GREAT WESTERN HOMES, L.L.C.  
K. HOVNIANIAN HOLDINGS NJ, L.L.C.  
K. HOVNIANIAN INVESTMENTS, L.L.C.  
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.  
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.  
K. HOVNIANIAN OHIO REALTY, L.L.C.  
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.

K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.  
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.  
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.  
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF MICHIGAN, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.  
K. HOVNIANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.  
K. HOVNIANIAN WINDWARD HOMES, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT HEMET, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.  
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.  
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.  
KHIP, LLC  
KINGS COURT AT MONTGOMERY, L.L.C.  
M&M AT APPLE RIDGE, L.L.C.  
M&M AT BROOKHILL, L.L.C.  
M&M AT CHESTERFIELD, L.L.C.  
M&M AT EAST MILL, L.L.C.  
M&M AT HERITAGE WOODS, L.L.C.  
M&M AT KENSINGTON WOODS, L.L.C.  
M&M AT MORRISTOWN, L.L.C.  
M & M AT ROBERT MORRIS, L.L.C.  
M&M AT SHERIDAN, L.L.C.  
M & M AT SOUTH BOUND BROOK, L.L.C.  
M&M AT SPARTA, L.L.C.  
M&M AT SPINNAKER POINTE, L.L.C.  
M&M AT SPRUCE HOLLOW, L.L.C.  
M&M AT SPRUCE MEADOWS, L.L.C.  
M&M AT SPRUCE RUN, L.L.C.  
M&M AT THE HIGHLANDS, L.L.C.  
M&M AT WEST ORANGE, L.L.C.  
M&M AT WHEATENA URBAN RENEWAL, L.L.C.  
MATZEL & MUMFORD AT CRANBURY KNOLL, L.L.C.  
MATZEL & MUMFORD AT FREEHOLD, L.L.C.  
MATZEL & MUMFORD AT HERITAGE LANDING, L.L.C.  
MATZEL & MUMFORD AT MONTGOMERY, L.L.C.  
MATZEL & MUMFORD AT PHILLIPSBURG, L.L.C.  
MATZEL & MUMFORD AT SOUTH BRUNSWICK, L.L.C.  
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.  
MMIP, L.L.C.  
PADDOCKS, L.L.C.  
RIDGEMORE UTILITY, L.L.C.  
THE LANDINGS AT SPINNAKER POINTE, L.L.C.  
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.  
WASHINGTON HOMES AT CAMP SPRINGS, L.L.C.  
WASHINGTON HOMES AT FOREST RUN, L.L.C.  
WASHINGTON HOMES AT LAUREL HIGHLANDS, L.L.C.  
WASHINGTON HOMES AT RENAISSANCE PLAZA, L.L.C.  
WASHINGTON HOMES OF MARYLAND I, L.L.C.  
WESTMINSTER HOMES OF ALABAMA, L.L.C.  
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.  
WESTMINSTER HOMES OF SOUTH CAROLINA, L.L.C.  
WOODLAND LAKES CONDOS AT BOWIE NEWTOWN, LLC

GOODMAN FAMILY OF BUILDERS, L.P.  
K. HOVNIANIAN OF HOUSTON II, L.P.  
K. HOVNIANIAN OF HOUSTON, L.P.  
M & M INVESTMENTS, L.P.  
WASHABAMA, L.P.

## [Simpson Thacher &amp; Bartlett LLP Letterhead]

January 20, 2005

K. Hovnanian Enterprises, Inc.  
 10 Highway 35  
 P.O. Box 500  
 Red Bank, New Jersey 07701

Ladies and Gentlemen:

We have acted as counsel to K. Hovnanian Enterprises, Inc., a California corporation (the "Company"), to Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and to certain subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors") in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company and the Guarantors with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to (i) the issuance by the Company of \$200,000,000 aggregate principal amount of 6¼% Senior Notes due 2015 (the "6¼% Exchange Notes") and the issuance by the Guarantors of guarantees (the "6¼% Guarantees") with respect to the 6¼% Exchange Notes and (ii) the issuance by the Company of \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010 (the "6% Exchange Notes", and together with the 6¼% Exchange Notes, the "Exchange Securities") and the issuance by the Guarantors of guarantees (the "6% Guarantees", and together with the 6¼% Guarantees, the "Guarantees") with respect to the Exchange Securities. The 6¼% Exchange Notes and the 6¼% Guarantees will be issued under an indenture dated as of November 30, 2004 (the "6¼% Indenture") among the Company, the Guarantors and Wachovia Bank, National Association, as trustee (the

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"Trustee"). The 6% Exchange Notes and the 6% Guarantees will be issued under an indenture dated as of November 30, 2004 (the "6% Indenture", and together with the 6¼% Indenture, the "Indentures") among the Company, the Guarantors and the Trustee. The 6¼% Exchange Notes will be offered by the Company in exchange for \$200,000,000 aggregate principal amount of its outstanding 6¼% Senior Notes due 2015 and the 6% Exchange Notes will be offered by the Company in exchange for \$100,000,000 aggregate principal amount of its outstanding 6% Senior Subordinated Notes due 2010.

We have examined the Registration Statement and the Indentures, which have been filed with the Commission as exhibits to the Registration Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such corporate records, agreements, documents and other instruments and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, we have relied upon certificates or comparable documents of public officials and of officers and representatives of the Company and the Guarantors.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents. We also have assumed that the Indentures are the valid and legally binding obligations of the Trustee.

We have assumed further that (1) the Company and the Guarantors have duly authorized, executed and delivered each of the Indentures and (2) execution, delivery and performance by the Company and the Guarantors of each of the Indentures and the Exchange Securities and the

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Guarantees do not and will not violate the law of the State of California or any other applicable law (excepting the law of the State of New York and the federal laws of the United States).

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. When the 6¼% Exchange Notes have been duly executed, authenticated, issued and delivered in accordance with the provisions of the 6¼% Indenture upon the exchange, the 6¼% Exchange Notes will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.
2. When the 6% Exchange Notes have been duly executed, authenticated, issued and delivered in accordance with the provisions of the 6% Indenture upon the exchange, the 6% Exchange Notes will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.
3. When (a) the 6¼% Exchange Notes have been duly executed, authenticated, issued and delivered in accordance with the provisions of the 6¼% Indenture upon the exchange and (b) the 6¼% Guarantees have been duly executed and issued, the 6¼% Guarantees will constitute valid and legally binding obligations of the Guarantors enforceable against the Guarantors in accordance with their terms.
4. When (a) the 6% Exchange Notes have been duly executed, authenticated, issued and delivered in accordance with the provisions of the 6% Indenture upon the exchange and (b) the 6% Guarantees have been duly executed and issued, the 6% Guarantees will constitute valid and legally binding obligations of the Guarantors enforceable against the Guarantors in accordance with their terms.

Our opinions set forth above are subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

We do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States.

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption "*Legal Matters*" in the Prospectus included in the Registration Statement.

Very truly yours,  
/s/ Simpson Thacher & Bartlett LLP  
SIMPSON THACHER & BARTLETT LLP

**Consent of Independent Registered Public Accounting Firm**

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of Hovnanian Enterprises, Inc. (the "Company"), K. Hovnanian Enterprises, Inc. and certain subsidiaries of the Company for the registration of \$200,000,000 aggregate principal amount of 6 1/4% Senior Notes due 2015 and \$100,000,000 aggregate principal amount of 6% Senior Subordinated Notes due 2010 and to the incorporation by reference therein of our report dated December 10, 2004, with respect to the consolidated financial statements the Company included in its Annual Report (Form 10-K) for the year ended October 31, 2004, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

New York, New York  
January 12, 2005

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 FORM T-1  
 STATEMENT OF ELIGIBILITY  
 UNDER THE TRUST INDENTURE ACT OF 1939  
 OF A CORPORATION DESIGNATED TO ACT AS A TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE  
 PURSUANT TO SECTION 305(b)(2) o

WACHOVIA BANK, NATIONAL ASSOCIATION

(Name of Trustee)

(Jurisdiction of Incorporation or Organization if not a U.S. National Bank) 22-1147033  
(I.R.S. Employer Identification No.)

301 South College Street, Charlotte, North Carolina 28288-0630  
 Address of Principal Executive Offices) (Zip Code)

K. Hovnanian Enterprises, Inc.  
 (Name of Obligor)

California 22-2423583  
 (State of Incorporation) (I.R.S. Employer Identification No.)

10 Highway 35, PO Box 500 Red Bank, 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, Richmond, VA 23219  
 Federal Deposit Insurance Corporation, Washington, D.C.

**(b) Whether it is authorized to exercise corporate trust powers.**

The Trustee is authorized to exercise corporate trust powers.

**Item 2. Affiliations with Obligor.**

**If the obligor is an affiliate of the trustee, describe each such affiliation.**

None.

**Item 3. Voting Securities of the Trustee.**

Furnish the following information as to each class of voting securities of the trustee:

Col. A	Col. B
Title of Class	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	Title of Class	Amount owned Beneficially	Percentage of Voting securities represented By amount given in Col. C
Not Applicable			

**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	Title of Class	Amount owned Beneficially	Percentage of Voting securities represented By amount given in Col. C
Not Applicable			

**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.
Name of Owner	Whether the Securities are Voting or nonvoting Securities	Amount owned beneficially or held as collateral security for obligations in default given in Col. C. by Trustee	Percentage of class represented by amount
Not Applicable			

**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 given in Col. C By Trustee	Percentage of class represented by amount
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 class 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		

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**Item 13. Defaults by the Obligor.**

(a) State whether there is or has been a default with respect to the securities under this indenture. Explain the nature of any such default.

None

(b) If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, or is trustee for more than one outstanding series of securities under the indenture, state whether there has been default under any such indenture or series, identify the indenture or series affected, and explain the nature of any such default.

None

**Item 14. Affiliations with the Underwriters.**

If any underwriter is an affiliate of the trustee, describe each such affiliation.

Not Applicable

**Item 15. Foreign Trustee.**

Identify the order or rule pursuant to which the foreign trustee is authorized to act as sole trustee under indentures qualified or to be qualified under the Act.

Not Applicable

**Item 16. Lists of Exhibits.**

- 1\* — Copy of Articles of Association of the Trustee as now in effect.
- 2 — No certificate of authority of the Trustee to commence business is furnished since this authority is contained in the Articles of Association of the Trustee.
- 3\* — Copy of the authorization of the Trustee to exercise corporate trust powers.
- 4\* — Copy of the existing By-Laws of the Trustee, as now in effect.
- 5 — Not applicable.
- 6 — The consent of the Trustee required by Section 321 (b) of the Act.
- 7 — A copy of the latest report of Condition of the Trustee published pursuant to the law or the requirements of its supervising or examining authority.
- 8 — Not Applicable
- 9 — Not Applicable

\*Exhibit thus designated has heretofore been filed with the Securities and Exchange Commission, have not been amended since filing and are incorporated herein by reference (see Exhibit T-1 Registration Number 333-86372).

In answering any item in this statement of eligibility and qualification which relates to matters peculiarly within the knowledge of the obligor or of its directors or officers, or an underwriter for the obligor, the undersigned, Wachovia Bank, National Association, has relied upon information furnished to it by the obligor or such underwriter.

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SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, Wachovia Bank National Association, organized and existing under the laws of the United States, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the Town of Morristown, and State of New Jersey, on the 4th day of January, 2005.

(Trustee)

(CORPORATE SEAL)

By: /s/Stephanie Roche  
Vice President

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## Exhibit T-6

## CONSENT OF TRUSTEE

Pursuant to the requirements of Section 321 (b) of the Trust Indenture Act of 1939, and in connection with the proposed issue of K. Hovnanian Enterprises, Inc. we hereby consent that reports of examinations by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon request therefor.

## WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Stephanie Roche  
Vice PresidentMorristown, NJ  
January 4, 2005

## EXHIBIT T-7

## REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the Wachovia Bank, National Association, at the close of business on September 30, 2004, published in response to call made by the Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 1 Comptroller of the Currency.

## Statement of Resources and Liabilities

ASSETS	Thousand of Dollars
Cash and balance due from depository institutions:	
Noninterest-bearing balances and currency and coin	11,360,000
Interest-bearing balances	5,991,000
Securities	
Hold-to-maturity securities	0
Available-for-sale securities	99,470,000
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold in domestic offices	4,035,000
Securities purchased under agreements to resell	5,584,000
Loans and lease financing receivables:	
Loan and leases held for sale	17,694,000
Loan and leases, net of unearned income	172,075,000
LESS: Allowance for loan and lease losses	2,259,000
LESS: Allocated transfer risk reserve	0
Loans and leases, net of unearned income, allowance, and reserve	169,816,000
Trading Assets	27,517,000
Premises and fixed assets (including capitalized leases)	3,180,000
Other real estate owned	137,000
Investment in unconsolidated subsidiaries and associated companies	1,031,000
Customer's liability to this bank on acceptances outstanding	563,000
Intangible assets	
Goodwill	9,589,000
Other intangible Assets	1,437,000
Other assets	22,832,000
<b>Total assets</b>	<b>380,236,000</b>
<b>LIABILITIES</b>	
Deposits:	
In domestic offices	244,923,000
Noninterest-bearing	7,819,000
Interest-bearing	237,104,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	18,401,000
Noninterest-bearing	55,000
Interest-bearing	18,346,000
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased in domestic offices	1,739,000

Securities sold under agreements to repurchase	19,462,000
Trading liabilities	15,105,000
Other borrowed money (includes mortgage indebtedness and Obligations under capitalized leases) (from Schedule RC-M)	27,412,000
Bank's liability on acceptances executed and outstanding	570,000
Subordinated notes and debentures	9,103,000
Other liabilities	9,511,000
<b>Total liabilities</b>	<b>346,226,000</b>
Minority Interest in consolidated subsidiaries	1,680,000
<b>EQUITY CAPITAL</b>	
Perpetual preferred stock and related surplus	0
Common Stock	455,000
Surplus	24,216,000
Retained Earnings	6,700,000
Accumulated other comprehensive income	959,000
Other Equity Capital components	0
Total equity capital	32,330,000
Total liabilities and equity capital	<b>380,236,000</b>

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**LETTER OF TRANSMITTAL**

**K. HOVNIANIAN ENTERPRISES, INC.**

**OFFER TO EXCHANGE  
ALL OUTSTANDING PRIVATELY PLACED  
6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015  
AND  
6% SENIOR SUBORDINATED NOTES DUE 2010  
FOR AN EQUAL AMOUNT OF  
6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015  
AND  
6% SENIOR SUBORDINATED NOTES DUE 2010  
WHICH HAVE BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933, AS AMENDED**

**THE EXCHANGE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M.,  
NEW YORK CITY TIME, ON \_\_\_\_\_, 2005 UNLESS  
EXTENDED (the "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR  
TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.**

THE EXCHANGE AGENT FOR THE EXCHANGE OFFERS IS:  
WACHOVIA BANK, NATIONAL ASSOCIATION

**Delivery to: Wachovia Bank, National Association, Exchange Agent**

*By Overnight Mail or Courier Delivery:*

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

*By Hand:*

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

*By Mail:*

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

*By Facsimile Transmission:*

(704) 590-7628

*Confirm By Telephone:*

(704) 590-7413

*Information:*

(704) 590-7413

**DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF THIS LETTER OF TRANSMITTAL VIA A FACSIMILE NUMBER OTHER THAN THE ONE SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.**

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Holders of Outstanding Notes (as defined below) should complete this Letter of Transmittal either if Outstanding Notes are to be forwarded herewith or if tenders of Outstanding Notes are to be made by book-entry transfer to an account maintained by the Exchange Agent at The Depository Trust Company ("DTC") pursuant to the procedures set forth in "The Exchange Offers—Book-Entry Delivery Procedures" and "The Exchange Offers—Tender of Outstanding Notes Held Through The Depository Trust Company" in the Prospectus (as defined below) and an "Agent's Message" (as defined below) is *not* delivered. If tender is being made by book-entry transfer, the Holder must have an Agent's Message delivered in lieu of this Letter of Transmittal.

Holders of Outstanding Notes whose certificates (the "Certificates") for such Outstanding Notes are not immediately available or who cannot deliver their Certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Outstanding Notes according to the guaranteed delivery procedures set forth in "The Exchange Offers—Guaranteed Delivery Procedures" in the Prospectus.

As used in this Letter of Transmittal, the term "Holder" with respect to the Exchange Offers (as defined below) means any person in whose name Outstanding Notes are registered on the books of K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer"), or, with respect to interests in the Outstanding Notes held by DTC, any DTC participant listed in an official DTC proxy. The undersigned has completed, signed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the applicable Exchange Offer. Holders who wish to tender their Outstanding Notes must complete this Letter of Transmittal in its entirety.

**SEE INSTRUCTION 1. DELIVERY OF DOCUMENTS TO DTC DOES NOT  
CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.**

**BENEFICIAL OWNERS OF OUTSTANDING NOTES SEE INSTRUCTION 10  
(QUESTIONS AND REQUEST FOR ASSISTANCE OR ADDITIONAL COPIES).**

The undersigned hereby acknowledges receipt of the Prospectus dated \_\_\_\_\_ (as it may be amended or supplemented from time to time, the "Prospectus") of the Issuer, Hovnanian Enterprises, Inc., a Delaware corporation and the parent of the Issuer ("Hovnanian"), and certain of the subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors," and each, a "Guarantor") and this Letter of Transmittal, which together constitute the offers (the "Exchange Offers") to exchange an aggregate principal amount of up to \$200,000,000 of the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, guaranteed by the Guarantors, and an aggregate principal amount of up to \$100,000,000 of the Issuer's 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors, that were originally sold pursuant to private offerings (collectively, the "Outstanding Notes") for an equal principal amount of the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors, that have been registered under the Securities Act of 1933, as amended (the "Securities Act") (collectively, the "Exchange Notes"). The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in both Exchange Offers in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in both Exchange Offers. Throughout this Letter of Transmittal, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offers" include the Guarantors' offers to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. Capitalized terms used but not defined herein have the meaning given to them in the Prospectus.

For each Outstanding Note accepted for exchange, the holder of such Outstanding Note will receive an Exchange Note having a principal amount equal to that of the surrendered Outstanding Note. The Exchange Notes will accrue interest at the rate of 6<sup>1</sup>/<sub>4</sub>% per annum on the 6<sup>1</sup>/<sub>4</sub>% Senior Notes and at the rate of 6% per annum on the 6% Senior Subordinated Notes, commencing on January 15, 2005, payable semi-annually on January 15 and July 15 of each year.

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED IN THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT, WHOSE ADDRESS AND TELEPHONE NUMBER APPEAR ON THE FRONT PAGE OF THIS LETTER OF TRANSMITTAL.

**See Instruction 10 below.**

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action that the undersigned desires to take with respect to the applicable Exchange Offer.



**Box 1B**  
**DESCRIPTION OF OUTSTANDING SENIOR SUBORDINATED NOTES TENDERED**  
(See Instructions 2 & 4 below)

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on Certificate(s))	Certificate or Registration Number(s) of Outstanding Senior Subordinated Notes*	Aggregate Principal Amount Represented by Outstanding Senior Subordinated Notes	Aggregate Principal Amount of Outstanding Senior Subordinated Notes Being Tendered**
	<b>Total</b>		

\* Need not be completed by book-entry holders (see below).  
\*\* The minimum permitted tender is \$1,000 in principal amount. All tenders must be in integral multiples of \$1,000 in principal amount. The aggregate principal amount of all Outstanding Senior Subordinated Note Certificates identified in Box 1B, or delivered to the Exchange Agent herewith, will be deemed tendered unless a lesser number is specified in this column. See Instruction 4.



**Box 2**  
**Book-Entry Transfer**

- o CHECK HERE IF TENDERED OUTSTANDING SENIOR 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: \_\_\_\_\_  
DTC Account Number: \_\_\_\_\_  
Transaction Code Number: \_\_\_\_\_  
\_\_\_\_\_
  
- o CHECK HERE IF TENDERED OUTSTANDING SENIOR SUBORDINATED 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: \_\_\_\_\_  
DTC Account Number: \_\_\_\_\_  
Transaction Code Number: \_\_\_\_\_  
\_\_\_\_\_

Holders of Outstanding Notes that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through DTC's Automated Tender Offer Program ("ATOP") for which the transaction will be eligible. DTC participants that are accepting one or both Exchange Offers 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 a computer-generated message (an "Agent's Message") to the Exchange Agent for its acceptance in which the holder of the Outstanding Notes acknowledges and agrees to be bound by the terms of, and makes the representations and warranties contained in, this Letter of Transmittal, and the DTC participant confirms on behalf of itself and the beneficial owners of such Outstanding Notes all provisions of this Letter of Transmittal (including any representations and warranties) applicable to it and such beneficial owner as fully as if it had completed the information required herein and executed and transmitted this Letter of Transmittal to the Exchange Agent. Each DTC participant transmitting an acceptance of an Exchange Offer through the ATOP procedures will be deemed to have agreed to be bound by the terms of this Letter of Transmittal. Delivery of an Agent's Message by DTC will satisfy the terms of the applicable Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message. DTC participants may also accept an Exchange Offer by submitting a Notice of Guaranteed Delivery through ATOP.

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**Box 3**  
**Notice of Guaranteed Delivery**  
**(See Instruction 2 below)**

- o CHECK HERE IF TENDERED OUTSTANDING SENIOR NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING.
- o CHECK HERE IF TENDERED OUTSTANDING SENIOR SUBORDINATED NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING.

Name(s) of Registered Holder(s): \_\_\_\_\_  
Window Ticket Number (if any): \_\_\_\_\_  
Date of Execution of Notice of Guaranteed Delivery: \_\_\_\_\_  
Name of Institution which Guaranteed Delivery: \_\_\_\_\_  
IF GUARANTEED DELIVERY IS TO BE MADE BY BOOK-ENTRY TRANSFER:  
Name of Tendering Institution: \_\_\_\_\_  
DTC Account Number: \_\_\_\_\_  
Transaction Code Number: \_\_\_\_\_

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**Box 4**  
**Return of Non-Exchanged Outstanding Notes**  
**Tendered by Book-Entry Transfer**

- o CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED OUTSTANDING SENIOR NOTES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT NUMBER SET FORTH ABOVE.
  - o CHECK HERE IF TENDERED BY BOOK-ENTRY TRANSFER AND NON-EXCHANGED OUTSTANDING SENIOR SUBORDINATED NOTES ARE TO BE RETURNED BY CREDITING THE DTC ACCOUNT NUMBER SET FORTH ABOVE.
-

**Box 5**  
**Participating Broker-Dealer**

- o CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE OUTSTANDING SENIOR NOTES FOR YOUR OWN ACCOUNT AS A RESULT OF MARKET-MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE TEN ADDITIONAL COPIES OF THE PROSPECTUS AND OF ANY AMENDMENTS OR SUPPLEMENTS THERETO, AS WELL AS ANY NOTICES FROM THE ISSUER TO SUSPEND AND RESUME USE OF THE PROSPECTUS. PROVIDE THE NAME OF THE INDIVIDUAL WHO SHOULD RECEIVE, ON BEHALF OF THE HOLDER, ADDITIONAL COPIES OF THE PROSPECTUS, AND AMENDMENTS AND SUPPLEMENTS THERETO, AND ANY NOTICES TO SUSPEND AND RESUME USE OF THE PROSPECTUS.
- o CHECK HERE IF YOU ARE A BROKER-DEALER WHO ACQUIRED THE OUTSTANDING SENIOR SUBORDINATED NOTES FOR YOUR OWN ACCOUNT AS A RESULT OF MARKET-MAKING OR OTHER TRADING ACTIVITIES (A "PARTICIPATING BROKER-DEALER") AND WISH TO RECEIVE TEN ADDITIONAL COPIES OF THE PROSPECTUS AND OF ANY AMENDMENTS OR SUPPLEMENTS THERETO, AS WELL AS ANY NOTICES FROM THE ISSUER TO SUSPEND AND RESUME USE OF THE PROSPECTUS. PROVIDE THE NAME OF THE INDIVIDUAL WHO SHOULD RECEIVE, ON BEHALF OF THE HOLDER, ADDITIONAL COPIES OF THE PROSPECTUS, AND AMENDMENTS AND SUPPLEMENTS THERETO, AND ANY NOTICES TO SUSPEND AND RESUME USE OF THE PROSPECTUS.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

\_\_\_\_\_

If the undersigned is not a broker-dealer, the undersigned represents that it is acquiring the Exchange Notes in the ordinary course of its business, it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Outstanding Notes, it represents that the Outstanding Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale or transfer of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

**PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the applicable Exchange Offer, the undersigned hereby tenders to the Issuer the aggregate principal amount of the Outstanding Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Outstanding Notes tendered hereby, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, the Issuer all right, title and interest in and to such Outstanding Notes as are being tendered hereby.

The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as agent of the Issuer) with respect to the tendered Outstanding Notes, with full power of substitution and resubstitution (such power of attorney being deemed an irrevocable power coupled with an interest) to (1) deliver certificates representing such Outstanding Notes, or transfer ownership of such Outstanding Notes on the account books maintained by DTC, together, in each such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Issuer, (2) present and deliver such Outstanding Notes for transfer on the books of the Issuer and (3) receive all benefits or otherwise exercise all rights and incidents of beneficial ownership of such Outstanding Notes, all in accordance with the terms of the applicable Exchange Offer.

The undersigned hereby represents and warrants that (a) the undersigned has full power and authority to tender, exchange, assign and transfer the Outstanding Notes tendered hereby, (b) when such tendered Outstanding Notes are accepted for exchange, the Issuer will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and (c) the Outstanding Notes tendered for exchange are not subject to any adverse claims or proxies when the same are accepted by the Issuer. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Outstanding Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the undersigned, that neither the holder of such Outstanding Notes nor any such other person is engaged in, or intends to engage in, a distribution of such Exchange Notes within the meaning of the Securities Act, or has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes, and that neither the holder of such Outstanding Notes nor any such other person is an "affiliate", as such term is defined in Rule 405 under the Securities Act, of the Issuer or any Guarantor.

The undersigned also acknowledges that these Exchange Offers are being made based on the Issuer's understanding of an interpretation by the staff of the United States Securities and Exchange Commission (the "SEC") as set forth in no-action letters issued to third parties, including *Morgan Stanley & Co., Inc.* (available June 5, 1991), *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to *Shearman & Sterling* (available July 2, 1993), or similar no-action letters, that the Exchange Notes issued in exchange for the Outstanding Notes pursuant to the applicable Exchange Offer may be offered for resale, resold and otherwise transferred by each holder thereof (other than a broker-dealer who acquires such Exchange Notes directly from the Issuer for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any such holder that is an "affiliate" of the Issuer or the Guarantors within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and such holder is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding with any person to participate in the distribution of such Exchange Notes. If a holder of the Outstanding Notes is an affiliate of the Issuer or the Guarantors, is not acquiring the Exchange Notes in the ordinary course of its business, is engaged in, or intends to engage in, a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the applicable Exchange Offer, such holder (x) may not rely on the applicable

interpretations of the staff of the SEC and (y) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. If the undersigned is a broker-dealer that will receive the Exchange Notes for its own account in exchange for the Outstanding Notes, it represents that the Outstanding Notes to be exchanged for the Exchange Notes were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale or transfer of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, sign and deliver any additional documents deemed by the Issuer or the Exchange Agent to be necessary or desirable to complete the exchange, assignment and transfer of the Outstanding Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Tendered Outstanding Notes may be withdrawn at any time prior to the Expiration Date in accordance with the procedures set forth in the "The Exchange Offers—Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Registration Instructions" below, please deliver the Exchange Notes (and, if applicable, substitute certificates representing the Outstanding Notes for any Outstanding Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of the Outstanding Notes, please credit the account indicated above maintained at DTC. Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions" below, please send the Exchange Notes (and, if applicable, substitute certificates representing the Outstanding Notes for any Outstanding Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Outstanding Notes Tendered".

**THE UNDERSIGNED, BY COMPLETING BOX 1A ENTITLED "DESCRIPTION OF OUTSTANDING SENIOR NOTES TENDERED" ABOVE AND/OR BOX 1B ENTITLED "DESCRIPTION OF OUTSTANDING SENIOR SUBORDINATED NOTES TENDERED" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OUTSTANDING NOTES AS SET FORTH IN SUCH BOX ABOVE.**

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**Box 6**  
**SPECIAL REGISTRATION INSTRUCTIONS**  
**(See Instructions 1, 5 and 6 below)**

To be completed ONLY if Certificates for the Outstanding Senior Notes and/or the Outstanding Senior Subordinated Notes not exchanged and/or Certificates for the Exchange Notes are to be issued in the name of someone other than the registered holder(s) of the Outstanding Senior Notes and/or the Outstanding Senior Subordinated Notes whose name(s) appear(s) above.

Name(s)

(Please Type or Print)

Address

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

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**Box 7**  
**SPECIAL DELIVERY INSTRUCTIONS**  
**(See Instructions 1, 5 and 6 below)**

To be completed ONLY if Certificates for Outstanding Senior Notes and/or the Outstanding Senior Subordinated Notes not exchanged and/or Certificates for the Exchange Notes are to be sent to someone other than the registered holder of the Outstanding Senior Notes and/or the Outstanding Senior Subordinated Notes whose name(s) appear(s) above, or to such registered holder(s) at an address other than that shown above.

Name(s)

(Please Type or Print)

Address

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

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**Box 8**  
**PLEASE SIGN HERE**  
**Tendering Holder Signature**  
**In Addition, Complete Substitute Form W-9—See Box 9**

Signature of registered holder(s) or  
Authorized Signatory(ies): \_\_\_\_\_  
Date: \_\_\_\_\_

Note: The above lines must be signed by the registered holder(s) of the Outstanding Notes as their name(s) appear(s) on the Outstanding Notes or on a security position listing as the owner of the Outstanding Notes or by person(s) authorized to become registered holder(s) by properly completed bond powers or endorsements transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below. See Instruction 5.

Name(s): \_\_\_\_\_  
(Please Type or Print)

Capacity (full title): \_\_\_\_\_

Address: \_\_\_\_\_  
(Including Zip Code)

Area Code and Telephone Number: \_\_\_\_\_

Tax Identification or Social Security Number: \_\_\_\_\_

**SIGNATURE GUARANTEE**  
**(IF REQUIRED BY INSTRUCTION 5)**

Signature(s) Guaranteed by  
an Eligible Guarantor Institution: \_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Name and Firm)

\_\_\_\_\_  
(Address)

Date: \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

Tax Identification or Social Security Number: \_\_\_\_\_

**SUBSTITUTE  
FORM W-9**

Department of the Treasury  
Internal Revenue Service

**Payer's Request for Taxpayer  
Identification Number (TIN)**

**Part 1**—PLEASE PROVIDE YOUR NAME AND TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

\_\_\_\_\_  
Name

**Part 2**

*Certification*—Under penalty of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and

\_\_\_\_\_  
Social Security Number

OR

(2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service

\_\_\_\_\_  
Employer Identification Number

(the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and

**Part 3**—

Awaiting TIN

(3) I am a U.S. person (including a U.S. resident alien).

**CERTIFICATE INSTRUCTIONS**—You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under-reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out such item (2).

--> The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

**SIGNATURE**

Sign Here

\_\_\_\_\_  
DATE

**NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF UP TO 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE 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 28% of all reportable payments made to me will be withheld.

Signature

Date

\_\_\_\_\_, 20\_\_\_\_



**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9**

Guidelines for Determining the Proper Identification Number for the Payee (You) to Give the Payer.—Social security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employee identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer. All "Section" references are to the Internal Revenue Code of 1986, as amended. "IRS" is the Internal Revenue Service.

For this type of account:	Give the social security number of —	For this type of account:	Give the employer identification number of—
1. Individual	The Individual	6. Sole proprietorship	The owner(3)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)	7. A valid trust, estate, or pension trust	The legal entity(4)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	8. Corporate	The corporation
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)		
5. Sole proprietorship	The owner(3)	10. Partnership	The partnership
		11. A broker or registered nominee	The broker or nominee
		12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).
- (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**Note:** *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

# GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

## Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Card, at the local Social Administration office, or Form SS-4, Application for Employer Identification Number, by calling 1 (800) TAX-FORM, and apply for a number.

## Payees Exempt from Backup Withholding

*Payees specifically exempted from withholding include:*

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government and any political subdivision, agency or instrumentality thereof.

*Payees that may be exempt from backup withholding include:*

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

*Payments of dividends and patronage dividends generally exempt from backup withholding include:*

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

*Payments of interest generally exempt from backup withholding*

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign organizations.
- Mortgage interest paid to you.

Certain payments, other than payments of interest, dividends, and patronage dividends, that are exempt from information reporting are also exempt from backup withholding. For details, see the regulations under sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

**Exempt payees described above must file Form W-9 or a substitute Form W-9 to avoid possible erroneous backup withholding.** FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART II OF THE FORM, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

**Privacy Act Notice.**—Section 6109 requires you to provide your correct taxpayer identification number to payers, who must report the payments to the IRS. The IRS uses the number for identification purposes and may also provide this information to various government agencies for tax enforcement or litigation purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold up to 28% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to payer. Certain penalties may also apply.

## Penalties

- (1) **Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- (2) **Civil Penalty for False Information With Respect to Withholding.**—If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.
- (3) **Criminal Penalty for Falsifying Information.**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE**

**INSTRUCTIONS TO LETTER OF TRANSMITTAL FORMING PART OF  
THE TERMS AND CONDITIONS OF THE EXCHANGE OFFERS**

**General**

Please do not send Certificates for Outstanding Notes directly to the Issuer. Your Certificates for Outstanding Notes, together with your signed and completed Letter of Transmittal and any required supporting documents, should be mailed or otherwise delivered to the Exchange Agent at the address set forth on the first page hereof. The method of delivery of Certificates, this Letter of Transmittal and all other required documents is at your sole option and risk and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, or overnight or hand delivery service is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

**1. Delivery of this Letter of Transmittal and Certificates.**

This Letter of Transmittal is to be completed by holders of Outstanding Notes (which term, for purposes of the Exchange Offers, includes any participant in DTC whose name appears on a security position listing as the holder of such Outstanding Notes) if either (a) Certificates for such Outstanding Notes are to be forwarded herewith or (b) tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth in "The Exchange Offers—Book-Entry Delivery Procedures" in the Prospectus and an Agent's Message (as defined below) is *not* delivered. The term "Agent's Message" means a message, transmitted by DTC to, and received by, the Exchange Agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant, which acknowledgment states that such participant has received and agrees to be bound by, and makes the representations and warranties contained in, this Letter of Transmittal and that the Issuer may enforce this Letter of Transmittal against such participant. Certificates representing the tendered Outstanding Notes, or timely confirmation of a book-entry transfer of such Outstanding Notes into the Exchange Agent's accounts at DTC, as well as a properly completed and duly executed copy of this Letter of Transmittal, or a facsimile hereof (or, in the case of a book-entry transfer, an Agent's Message), a substitute Form W-9 and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Outstanding Notes may be tendered in whole or in part in the principal amount of \$1,000 and integral multiples of \$1,000.

**2. Guaranteed Delivery Procedures.**

Holders who wish to tender their Outstanding Notes and (i) whose Outstanding Notes are not immediately available or (ii) who cannot deliver their Outstanding Notes, this Letter of Transmittal and all other required documents to the Exchange Agent on or prior to the Expiration Date or (iii) who cannot complete the procedures for delivery by book-entry transfer on a timely basis, may effect a tender by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in "The Exchange Offers—Guaranteed Delivery Procedures" in the Prospectus and by completing Box 3. Pursuant to these procedures, Holders may tender their Outstanding Notes if: (i) the tender is made by or through an Eligible Guarantor Institution (as defined below); (ii) a properly completed and signed Notice of Guaranteed Delivery in the form provided with this Letter of Transmittal is delivered to the Exchange Agent on or before the Expiration Date (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Outstanding Notes, the registered number(s) of such Outstanding Notes and the amount of Outstanding Notes tendered, stating that the tender is being made thereby; and (iii) the certificates or a confirmation of book-entry transfer and a properly completed and signed Letter of Transmittal is delivered to the Exchange Agent within three New York Stock Exchange trading days after the

Expiration Date. The Notice of Guaranteed Delivery may be delivered by hand, facsimile or mail to the Exchange Agent, and a guarantee by an Eligible Guarantor Institution must be included in the form described in the notice.

Any Holder who wishes to tender Outstanding Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery relating to such Outstanding Notes prior to the Expiration Date. Failure to complete the guaranteed delivery procedures outlined above will not, of itself, affect the validity or effect a revocation of any Letter of Transmittal form properly completed and executed by a Holder who attempted to use the guaranteed delivery procedures.

The Issuer will not accept any alternative, conditional or contingent tenders. Each tendering holder of Outstanding Notes, by execution of a Letter of Transmittal (or facsimile thereof), waives any right to receive any notice of the acceptance of such tender.

#### ***Guarantee of Signatures***

No signature guarantee on this Letter of Transmittal is required if:

- (i) this Letter of Transmittal is signed by the registered Holder(s) (which term, for purposes of this document, shall include any participant in DTC whose name appears on a security position listing as the owner of the Outstanding Notes) of Outstanding Notes tendered herewith, unless such Holder(s) has (have) completed either the box entitled "Special Registration Instructions" (Box 6) or "Special Delivery Instructions" (Box 7) above; or
- (ii) such Outstanding Notes are tendered for the account of a firm that is an Eligible Guarantor Institution.

In all other cases, an Eligible Guarantor Institution must guarantee the signature(s) in Box 8 on this Letter of Transmittal. See Instruction 5.

#### ***Inadequate Space***

If the space provided in the boxes captioned "Description of Outstanding Senior Notes Tendered" (Box 1A) or "Description of Outstanding Senior Subordinated Notes Tendered" (Box 1B) is inadequate, the Certificate or registration number(s) and/or the principal amount of Outstanding Senior Notes and/or Outstanding Senior Subordinated Notes and any other required information should be listed on a separate, signed schedule and attached to this Letter of Transmittal.

### **3. Beneficial Owner Instructions.**

Only a Holder of Outstanding Notes (i.e., a person in whose name Outstanding Notes are registered on the books of the registrar or, with respect to interests in the Outstanding Notes held by DTC, a DTC participant listed in an official DTC proxy), or the legal representative or attorney-in-fact of a Holder, may execute and deliver this Letter of Transmittal. Any beneficial owner of Outstanding Notes who wishes to accept an Exchange Offer must arrange promptly for the appropriate Holder to execute and deliver this Letter of Transmittal on his or her behalf through the execution and delivery to the appropriate Holder of the "Instructions to Registered Holder and/or DTC Participant From Beneficial Owner of 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015" form or the "Instructions to Registered Holder and/or DTC participant From Beneficial Owner of 6% Senior Subordinated Notes due 2010" form accompanying this Letter of Transmittal.

### **4. Partial Tenders; Withdrawals.**

Tenders of Outstanding Notes will be accepted only in the principal amount of \$1,000 and integral multiples of \$1,000. If less than the entire principal amount of Outstanding Notes evidenced by a submitted Certificate is tendered, the tendering Holder(s) should fill in the aggregate principal amount

tendered in the column entitled "Aggregate Principal Amount of Outstanding Senior Notes Being Tendered" in Box 1A above. If less than the entire principal amount of Outstanding Senior Subordinated Notes evidenced by a submitted Certificate is tendered, the tendering Holder(s) should fill in the aggregate principal amount tendered in the column entitled "Aggregate Principal Amount of Outstanding Senior Subordinated Notes Being Tendered" in Box 1B above. A newly issued Certificate for the principal amount of Outstanding Senior Notes submitted but not tendered will be sent to such Holder as soon as practicable after the Expiration Date, unless otherwise provided in the appropriate box on this Letter of Transmittal. All Outstanding Notes delivered to the Exchange Agent will be deemed to have been tendered in full unless otherwise indicated.

Outstanding Notes tendered pursuant to either Exchange Offer may be withdrawn at any time prior to the Expiration Date, after which tenders of Outstanding Notes are irrevocable. To be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Exchange Agent at the address set forth on the first page hereof. Any such notice of withdrawal must (i) specify the name of the person having deposited the Outstanding Notes to be withdrawn (the "Depositor"), (ii) identify the Outstanding Notes to be withdrawn (including the registration number(s) and principal amount of such Outstanding Notes, or, in the case of Outstanding Notes transferred by book-entry transfer, the name and number of the account at DTC to be credited), (iii) be signed by the Holder in the same manner as the original signature on this Letter of Transmittal (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee with respect to the Outstanding Notes register the transfer of such Outstanding Notes in the name of the person withdrawing the tender, (iv) specify the name in which any such Outstanding Notes are to be registered, if different from that of the Depositor and (v) include a statement that the Depositor is withdrawing its election to have such Outstanding Notes exchanged. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Issuer, whose determination shall be final and binding on all parties. Any Outstanding Notes so withdrawn will be deemed not to have been validly tendered for purposes of the applicable Exchange Offer and no Exchange Notes will be issued with respect thereto unless the Outstanding Notes so withdrawn are validly re-tendered. Any Outstanding Notes which have been tendered but which are not accepted for exchange for any reason will be returned to the Holder thereof without cost to such Holder (or, in the case of Outstanding Notes tendered by book-entry transfer into the Exchange Agent's accounts at the book entry transfer facility pursuant to the book-entry transfer procedures described above, such Outstanding Notes will be credited to an account with such book-entry transfer facility specified by the Holder) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Outstanding Notes may be re-tendered by following one of the procedures described under the caption "The Exchange Offers—Procedures for Tendering" in the Prospectus at any time prior to the Expiration Date.

Neither the Issuer, any affiliates or assigns of the Issuer, the Exchange Agent nor any other person will be under any duty to give any notification of any irregularities in any notice of withdrawal or incur any liability for failure to give such notification (even if such notice is given to other persons).

#### **5. Signature on Letter of Transmittal; Written Instruments and Endorsements; Guarantee of Signatures.**

If this Letter of Transmittal is signed by the registered Holder(s) of the Outstanding Notes tendered hereby, the signature must correspond exactly with the name(s) as written on the face of the Certificates without alteration, addition, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC, the signature must correspond with the name as it appears on the security position listing as the owner of the Outstanding Notes.

If any of the Outstanding Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Outstanding Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal (or facsimiles thereof) as there are different registrations of Outstanding Notes.

If this Letter of Transmittal is signed by the registered Holder(s) of Outstanding Notes (which term, for the purposes described herein, shall include a participant in DTC whose name appears on a security position listing as the owner of the Outstanding Notes) listed and tendered hereby, no endorsements of the tendered Outstanding Notes or separate written instruments of transfer or exchange are required. In any other case, the registered Holder(s) (or acting Holder(s)) must either properly endorse the Outstanding Notes or transmit properly completed bond powers with this Letter of Transmittal (in either case, executed exactly as the name(s) of the registered Holder(s) appear(s) on the Outstanding Notes, and, with respect to a participant in DTC whose name appears on such security position listing), with the signature on the Outstanding Notes or bond power guaranteed by an Eligible Guarantor Institution (except where the Outstanding Notes are tendered for the account of an Eligible Guarantor Institution).

If this Letter of Transmittal, any Certificates, bond powers or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Issuer, must submit proper evidence satisfactory to the Issuer, in its sole discretion, of such persons' authority to so act.

**Endorsements on certificates for the Outstanding Notes or signatures on bond powers required by this Instruction 5 must be guaranteed by a firm that is a member of the Security Transfer Agent Medallion Signature Program or by any other "Eligible Guarantor Institution" within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended.**

**Signatures on this Letter of Transmittal need not be guaranteed by an Eligible Guarantor Institution, provided the Outstanding Notes are tendered: (i) by a registered holder of the Outstanding Notes (which term, for purposes of the Exchange Offers, includes any participant in the DTC system whose name appears on a security position listing as the owner of such Outstanding Notes) tendered who has not completed Box 6 entitled "Special Registration Instructions" or Box 7 entitled "Special Delivery Instructions" on this Letter of Transmittal or (ii) for the account of an Eligible Guarantor Institution.**

#### **6. Special Registration and Delivery Instructions.**

Tendering Holders should indicate, in the applicable Box 6 or Box 7, the name and address in/to which the Exchange Notes and/or substitute certificates evidencing Outstanding Notes for principal amounts not tendered or not accepted for exchange are to be issued or sent, if different from the name(s) and address(es) of the person signing this Letter of Transmittal. In the case of issuance in a different name, the employer identification number or social security number of the person named must also be indicated and the tendering Holder should complete the applicable box. A holder tendering the Outstanding Notes by book-entry transfer may request that the Outstanding Notes not exchanged be credited to such account maintained at DTC as such Holder may designate hereof (See Box 4).

If no instructions are given, the Exchange Notes (and any Outstanding Notes not tendered or not accepted) will be issued in the name of and sent to the Holder signing this Letter of Transmittal or deposited into such Holder's account at DTC.

#### **7. Transfer Taxes.**

The Issuer will pay all transfer taxes, if any, applicable to the transfer and exchange of Outstanding Notes to it or its order pursuant to the Exchange Offers. If a transfer tax is imposed because Exchange

Notes are delivered or issued in the name of a person other than the registered Holder or if a transfer tax is imposed for any other reason other than the transfer and exchange of Outstanding Notes to the Issuer or its order pursuant to the Exchange Offers, the amount of any such transfer taxes (whether imposed on the registered Holder or any other person) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed to the tendering Holder by the Exchange Agent.

**Except as provided in this Instruction 7, it will not be necessary for transfer tax stamps to be affixed to the Outstanding Notes listed in the Letter of Transmittal.**

**8. Waiver of Conditions.**

The Issuer reserves the right to waive, in whole or in part, any of the conditions to the Exchange Offers set forth in the Prospectus.

**9. Mutilated, Lost, Stolen or Destroyed Outstanding Notes.**

Any Holder whose Outstanding Notes have been mutilated, lost, stolen or destroyed should promptly contact the Exchange Agent at the address set forth on the first page hereof for further instructions. The Holder will then be instructed as to the steps that must be taken in order to replace the Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, destroyed or stolen Certificate(s) have been completed.

**10. Questions and Request for Assistance or Additional Copies.**

Questions relating to the procedure for tendering as well as requests for additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at the address and telephone number set forth on the first page hereof.

**11. Validity and Form; No Conditional Tenders; No Notice of Irregularities.**

All questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered Outstanding Notes and withdrawal of tendered Outstanding Notes will be determined by the Issuer in its sole discretion, which determination will be final and binding. No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Outstanding Notes for exchange. The Issuer also reserves the right, in its reasonable judgment, to waive any defects, irregularities or conditions of tender as to particular Outstanding Notes. The Issuer's interpretation of the terms and conditions of the Exchange Offers (including the instructions in this Letter of Transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Outstanding Notes must be cured within such time as the Issuer shall determine. Although the Issuer intends to notify Holders of defects or irregularities with respect to tenders of Outstanding Notes, neither the Issuer, the Exchange Agent nor any other person is under any obligation to give such notice nor shall they incur any liability for failure to give such notification. Tenders of Outstanding Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Outstanding Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holder as soon as practicable following the Expiration Date.

## IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a Holder tendering Outstanding Notes whose Outstanding Notes are accepted for exchange may be subject to backup withholding unless the holder provides either (i) such Holder's correct taxpayer identification ("TIN") on the Substitute Form W-9 above, certifying (A) that the TIN provided on Substitute Form W-9 is correct (or that such Holder of Outstanding Notes is awaiting a TIN), (B) that the Holder of Outstanding Notes is not subject to backup withholding because (x) such Holder of Outstanding Notes is exempt from backup withholding, (y) such Holder of Outstanding Notes has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (z) the Internal Revenue Service has notified the Holder of Outstanding Notes that he or she is no longer subject to backup withholding and (C) that the Holder of Outstanding Notes is a U.S. person (including a U.S. resident alien); or (ii) an adequate basis for exemption from backup withholding. If such Holder is an individual, the TIN is his or her social security number. If the Exchange Agent is not provided with the correct TIN, the Holder may be subject to certain penalties imposed by the Internal Revenue Service and any payments that are made to such Holder may be subject to backup withholding (see below).

Certain Holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. However, exempt Holders of Outstanding Notes should indicate their exempt status on Substitute Form W-9. For example, a corporation should complete the Substitute Form W-9, providing its TIN and indicating that it is exempt from backup withholding. In order for a foreign individual to qualify as an exempt recipient, that Holder must submit a statement, signed under penalty of perjury, attesting to that individual's exempt status (Form W-8BEN). Forms for such statements can be obtained from the Exchange Agent. Holders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

If backup withholding applies, the Exchange Agent is required to withhold 28% of any payments to be made to the Holder or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service provided the required information is furnished. The Exchange Agent cannot refund amounts withheld by reason of backup withholding.

A Holder who does not have a TIN may check the box in Part 3 of the Substitute Form W-9 if the Holder has applied for a number or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the Holder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number above in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Exchange Agent will withhold 28% of all payments made prior to the time a properly certified TIN is provided to the Exchange Agent and, if the Exchange Agent is not provided with a TIN within 60 days, such amounts will be paid over to the Internal Revenue Service.

The Holder of Outstanding Notes is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the record owner of the Outstanding Notes. If the Outstanding Notes are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

**IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF (TOGETHER WITH OUTSTANDING NOTES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.**



## QuickLinks

[All Tendering Holders Complete the Applicable Box 1A and/or Box 1B](#)

[Box 2 Book-Entry Transfer](#)

[GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9](#)

[INSTRUCTIONS TO LETTER OF TRANSMITTAL FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFERS](#)

[IMPORTANT TAX INFORMATION](#)

**K. HOVNIANIAN ENTERPRISES, INC.**  
**OFFER TO EXCHANGE**  
**ALL OUTSTANDING PRIVATELY PLACED**  
**6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015**  
**AND**  
**6% SENIOR SUBORDINATED NOTES DUE 2010**  
**FOR AN EQUAL AMOUNT OF**  
**6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015**  
**AND**  
**6% SENIOR SUBORDINATED NOTES DUE 2010**  
**WHICH HAVE BEEN REGISTERED UNDER**  
**THE SECURITIES ACT OF 1933, AS AMENDED**

, 2005

To Brokers, Dealers, Commercial Banks,  
Trust Companies and Other Nominees:

As described in the enclosed Prospectus, dated \_\_\_\_\_, 2005 (as the same may be amended from time to time, the "Prospectus"), and Letter of Transmittal (the "Letter of Transmittal"), K. Hovnianian Enterprises, Inc. (the "Issuer"), Hovnianian Enterprises, Inc. ("Hovnianian") and certain subsidiaries of Hovnianian (together with Hovnianian, the "Guarantors") are offering (the "Exchange Offers") to exchange \$1,000 principal amount of the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, guaranteed by the Guarantors, and the Issuer's 6% Senior Subordinated Notes due 2010 guaranteed by the Guarantors (collectively, the "Exchange Notes"), that have been registered under the Securities Act of 1933, as amended, for each \$1,000 principal amount of the Issuer's outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and outstanding 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors (collectively, the "Outstanding Notes"), upon the terms and subject to the conditions of the enclosed Prospectus and the enclosed Letter of Transmittal. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Outstanding Notes for which they may be exchanged pursuant to the Exchange Offers, except that the Exchange Notes are freely transferable by holders thereof. The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in the Exchange Offers in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in the Exchange Offers. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offers" include the Guarantors' offer to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. The Issuer will accept for exchange any and all Outstanding Notes properly tendered according to the terms of the Prospectus and the Letter of Transmittal. Consummation of the Exchange Offers is subject to certain conditions described in the Prospectus.

**WE URGE YOU TO PROMPTLY CONTACT YOUR CLIENTS FOR WHOM YOU HOLD OUTSTANDING NOTES REGISTERED IN YOUR NAME OR IN THE NAME OF YOUR NOMINEE OR WHO HOLD OUTSTANDING NOTES REGISTERED IN THEIR OWN NAMES. PLEASE NOTE THAT THE EXCHANGE OFFERS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON \_\_\_\_\_, 2005 UNLESS EXTENDED BY THE ISSUER (THE "EXPIRATION DATE").**

The Issuer will not pay any fees or commissions to you for soliciting tenders of Outstanding Notes pursuant to the Exchange Offers. You will, however, upon request, be reimbursed by the Issuer for

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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 client's instructions regarding the applicable Exchange Offer.
2. The Prospectus.
3. The Letter of Transmittal for your use in connection with the tender of Outstanding Notes and for the information of your clients, including a Substitute Form W-9 and Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (providing information relating to U.S. federal income tax backup withholding).
4. A form of Notice of Guaranteed Delivery.

Your prompt action is requested. Tendered Outstanding Notes may be withdrawn, subject to the procedures described in the Prospectus, at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

To participate in the Exchange Offers, certificates for Outstanding Notes, together with a duly executed and properly completed Letter of Transmittal or facsimile thereof, or a timely confirmation of a book-entry transfer of such Outstanding Notes into the accounts of Wachovia Bank, National Association, the Exchange Agent, at the Depository Trust Company, with any required signature guarantees, and any other required documents, must be received by the Exchange Agent by the Expiration Date as indicated in the Prospectus and the Letter of Transmittal.

If holders of the Outstanding Notes wish to tender, but it is impracticable for them to forward their Outstanding Notes prior to the Expiration Date or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures described in the Prospectus and in the Letter of Transmittal.

Additional copies of the enclosed material may be obtained from the Exchange Agent at its address or telephone number set forth on the first page of the Letter of Transmittal.

Very truly yours,

K. Hovnanian Enterprises, Inc.

**NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE ISSUER OR THE EXCHANGE AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM IN CONNECTION WITH THE EXCHANGE OFFER, OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS EXPRESSLY CONTAINED THEREIN.**



**K. HOVNIANIAN ENTERPRISES, INC.**  
**OFFER TO EXCHANGE**  
**ALL OUTSTANDING PRIVATELY PLACED**  
**6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015**  
**AND**  
**6% SENIOR SUBORDINATED NOTES DUE 2010**

**FOR AN EQUAL AMOUNT OF**  
**6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015**  
**AND**  
**6% SENIOR SUBORDINATED NOTES DUE 2010**  
**WHICH HAVE BEEN REGISTERED UNDER**  
**THE SECURITIES ACT OF 1933, AS AMENDED**

, 2005

To Our Clients:

Enclosed for your consideration is a Prospectus, dated \_\_\_\_\_, 2005 (as the same may be amended or supplemented from time to time, the "Prospectus"), and a Letter of Transmittal (the "Letter of Transmittal"), relating to the offers (the "Exchange Offers") by K. Hovnianian Enterprises, Inc. (the "Issuer"), Hovnianian Enterprises, Inc. ("Hovnianian") and certain subsidiaries of Hovnianian (together with Hovnianian, the "Guarantors") to exchange \$1,000 principal amount of the Issuer's 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, guaranteed by the Guarantors, and the Issuer's 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors (collectively, the "Exchange Notes"), that have been registered under the Securities Act of 1933, as amended, for each \$1,000 principal amount of the Issuer's outstanding 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015 and outstanding 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors (collectively, the "Outstanding Notes"), upon the terms and subject to the conditions of the enclosed Prospectus and the enclosed Letter of Transmittal. The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Outstanding Notes for which they may be exchanged pursuant to the Exchange Offers, except that the Exchange Notes are freely transferable by holders thereof. The Outstanding Notes are unconditionally guaranteed (the "Old Guarantees") by the Guarantors, and the Exchange Notes will be unconditionally guaranteed (the "New Guarantees") by the Guarantors. Upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal, the Guarantors offer to issue the New Guarantees with respect to all Exchange Notes issued in the Exchange Offers in exchange for the Old Guarantees of the Outstanding Notes for which such Exchange Notes are issued in the Exchange Offer. Throughout this letter, unless the context otherwise requires and whether so expressed or not, references to the "Exchange Offers" include the Guarantors' offer to exchange the New Guarantees for the Old Guarantees, references to the "Exchange Notes" include the related New Guarantees and references to the "Outstanding Notes" include the related Old Guarantees. The Issuer will accept for exchange any and all Outstanding Notes properly tendered according to the terms of the Prospectus and the Letter of Transmittal. Consummation of the Exchange Offers is subject to certain conditions described in the Prospectus.

This material is being forwarded to you as the beneficial owner of Outstanding Notes held by us for your account but not registered in your name. A tender of such Outstanding Notes may only be made by us as the registered holder and pursuant to your instructions. Therefore, the Issuer urges beneficial owners of Outstanding Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee to contact such registered holder promptly if such beneficial owners wish to tender Outstanding Notes in the Exchange Offers.

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Accordingly, we request instructions as to whether you wish to tender any or all such Outstanding Notes held by us for your account, pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal. If you wish to have us do so, please so instruct us by completing, signing and returning to us the instruction form that appears below. We urge you to read the Prospectus and the Letter of Transmittal carefully before instructing us as to whether or not to tender your Outstanding Notes.

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 applicable Exchange Offer. The Exchange Offers will expire at 5:00 p.m., New York City Time, on \_\_\_\_\_, 2005, unless extended by the Issuer. The time the Exchange Offers expire is referred to as the "Expiration Date." Tenders of Outstanding Notes may be withdrawn at any time prior to the Expiration Date.

**IF YOU WISH TO HAVE US TENDER ANY OR ALL OF YOUR OUTSTANDING NOTES, PLEASE SO INSTRUCT US BY COMPLETING, SIGNING AND RETURNING TO US THE INSTRUCTION FORM BELOW.**

The accompanying Letter of Transmittal is furnished to you for your information only and may not be used by you to tender Outstanding Notes held by us and registered in our name for your account or benefit.

If we do not receive written instructions in accordance with the below and the procedures presented in the Prospectus and the Letter of Transmittal, we will not tender any of the Outstanding Notes on your account.

Please carefully review the enclosed material as you consider the Exchange Offers.



Exchange Senior Notes, (iii) the undersigned is acquiring the Exchange Senior Notes in the ordinary course of its business, (iv) the undersigned is not a broker-dealer tendering Outstanding Senior Notes acquired for its own account directly from the Issuer. If a Holder of the Outstanding Senior Notes is an affiliate of the Company or the Guarantors, is not acquiring the Exchange Senior Notes in the ordinary course of its business, is engaged in or intends to engage in a distribution of the Exchange Senior Notes or has any arrangement or understanding with respect to the distribution of the Exchange Senior Notes to be acquired pursuant to the Exchange Offer, such Holder may not rely on the applicable interpretations of the staff of the Securities and Exchange Commission relating to exemptions from the registration and prospectus delivery requirements of the Securities Act and must comply with such requirements in connection with any secondary resale transaction.

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**SIGN HERE**

Dated: \_\_\_\_\_

, 2005

Signature(s): \_\_\_\_\_

Print Name(s): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
*(Please include Zip Code)*

Telephone Number: \_\_\_\_\_

\_\_\_\_\_  
*(Please include Area Code)*

Tax Identification Number or Social Security Number: \_\_\_\_\_

My Account Number With You: \_\_\_\_\_



**Instructions to Registered Holder and/or DTC Participant From Beneficial Owner of 6% Senior Subordinated Notes due 2010**

The undersigned beneficial owner acknowledge(s) receipt of your letter and the accompanying Prospectus dated \_\_\_\_\_, 2005 (as the same may be amended or supplemented from time to time, the "Prospectus"), and a Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") by K. Hovnanian Enterprises, Inc. (the "Issuer"), Hovnanian Enterprises, Inc. ("Hovnanian") and certain subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors") to exchange \$1,000 principal amount of the Issuer's 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors (the "Exchange Senior Subordinated Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for each \$1,000 principal amount of the Issuer's outstanding 6% Senior Subordinated Notes due 2010, guaranteed by the Guarantors (the "Outstanding Senior Subordinated Notes"), 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 Senior Subordinated Notes held by you for the account of the undersigned.

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**Principal Amount of Outstanding Senior Subordinated Notes  
Held For Account Holder(s)**

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**Principal Amount of Outstanding Senior Subordinated Notes  
To be Tendered\***

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\* Unless otherwise indicated, the entire principal amount of Outstanding Senior Subordinated Notes held for the account of the undersigned will be tendered.

If the undersigned instructs you to tender the Outstanding Senior Subordinated 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 Senior Subordinated Notes, including but not limited to the representations that (i) the undersigned is not an affiliate, as defined in Rule 405 under the Securities Act, of the Issuer or the Guarantors, (ii) the undersigned 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 Exchange Senior Subordinated Notes, (iii) the undersigned is acquiring the Exchange Senior Subordinated Notes in the ordinary course of its business, (iv) the undersigned is not a broker-dealer tendering Outstanding Senior Subordinated Notes acquired for its own account directly from the Issuer. If a Holder of the Outstanding Senior Subordinated Notes is an affiliate of the Company or the Guarantors, is not acquiring the Exchange Senior Subordinated Notes in the ordinary course of its business, is engaged in or intends to engage in a distribution of the Exchange Senior Subordinated Notes or has any arrangement or understanding with respect to the distribution of the Exchange Senior Subordinated Notes to be acquired pursuant to the Exchange Offer, such Holder may

**SIGN HERE**

Dated:

\_\_\_\_\_  
, 2005

Signature(s): \_\_\_\_\_

Print Name(s): \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

*(Please include Zip Code)*

Tax Identification Number or Social Security Number: \_\_\_\_\_

*(Please include Area Code)*

My Account Number With You: \_\_\_\_\_



**NOTICE OF GUARANTEED DELIVERY  
K. HOVNIANIAN ENTERPRISES, INC.**

**OFFER TO EXCHANGE  
ALL OUTSTANDING PRIVATELY PLACED  
6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015  
AND  
6% SENIOR SUBORDINATED NOTES DUE 2010  
FOR AN EQUAL AMOUNT OF  
6<sup>1</sup>/<sub>4</sub>% SENIOR NOTES DUE 2015  
AND  
6% SENIOR SUBORDINATED NOTES DUE 2010  
WHICH HAVE BEEN REGISTERED UNDER  
THE SECURITIES ACT OF 1933, AS AMENDED**

This form, or one substantially equivalent hereto, must be used to accept either Exchange Offer made by K. Hovnianian Enterprises, Inc. (the "Issuer") and the Guarantors, pursuant to the Prospectus, dated \_\_\_\_\_, 2005 (as the same may be amended or supplemented from time to time, the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal") if the certificates for the Outstanding Notes are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date of such Exchange Offer. Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to Wachovia Bank, National Association (the "Exchange Agent") as set forth below. Capitalized terms not defined herein have the meanings ascribed to them in the Letter of Transmittal.

**Delivery to: Wachovia Bank, National Association, Exchange Agent**

**By Overnight Mail or Courier Delivery:**

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

**By Hand:**

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

**By Mail:**

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

**By Facsimile Transmission:**

(704) 590-7628

**Confirm By Telephone:**

(704) 590-7413

**Information:**

(704) 590-7413

**DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.**

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Please read the accompanying instructions carefully.

Ladies and Gentlemen:

Upon the terms and subject to the conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Issuer the principal amount of the Outstanding Notes set forth below, pursuant to the guaranteed delivery procedures described in "The Exchange Offers—Guaranteed Delivery Procedures" section of the Prospectus.

Principal Amount of the Outstanding Senior Notes Tendered: \_\_\_\_\_

Certificate Nos. (If Available): \_\_\_\_\_

Principal Amount of the Outstanding Senior Subordinated Notes Tendered: \_\_\_\_\_

Certificate Nos. (If Available): \_\_\_\_\_

\_\_\_\_\_  
(Signature(s) of Record Holder(s))

\_\_\_\_\_  
(Please Type or Print Name(s) of Record Holder(s))

Dated: \_\_\_\_\_, 2005

Address: \_\_\_\_\_

\_\_\_\_\_  
(Zip Code)

\_\_\_\_\_  
(Daytime Area Code and Telephone No.)

Check this Box if the Outstanding Senior Notes will be delivered by book-entry transfer to The Depository Trust Company.

Account Number: \_\_\_\_\_

Check this Box if the Outstanding Senior Subordinated Notes will be delivered by book-entry transfer to The Depository Trust Company.

Account Number: \_\_\_\_\_

**THE ACCOMPANYING GUARANTEE MUST BE COMPLETED.**

**GUARANTEE OF DELIVERY  
(NOT TO BE USED FOR SIGNATURE GUARANTEE)**

The undersigned, a participant in the Security Transfer Agents Medallion Program or an "eligible guarantor institution", as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), hereby guarantees to deliver to the Exchange Agent, at its address set forth in the Notice of Guaranteed Delivery, the certificates representing all tendered Outstanding Notes, in proper form for transfer, or a book-entry confirmation (a confirmation of a book-entry transfer of the Outstanding Notes into the Exchange Agent's account at The Depository Trust Company), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three (3) New York Stock Exchange trading days after the Expiration Date.

Name of Firm: \_\_\_\_\_

(Authorized Signature)

Address: \_\_\_\_\_

Area Code and Tel. No.: \_\_\_\_\_ (Zip Code)

Name: \_\_\_\_\_

(Please Type or Print)

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2005

**NOTE: DO NOT SEND CERTIFICATES FOR OUTSTANDING NOTES WITH THIS NOTICE OF GUARANTEED DELIVERY. ACTUAL SURRENDER OF CERTIFICATES FOR OUTSTANDING NOTES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.**

## INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. **Delivery of this Notice of Guaranteed Delivery.** A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth on the cover page hereof prior to the Expiration Date of the applicable Exchange Offer. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and risk of Holders and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that Holders use an overnight or hand delivery service. In all cases sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedure, see Instruction 2 of the Letter of Transmittal. No Notice of Guaranteed Delivery should be sent to the Issuer.

2. **Signatures on this Notice of Guaranteed Delivery.** If this Notice of Guaranteed Delivery is signed by the registered Holder(s) of the Outstanding Notes referred to herein, the signatures must correspond with the name(s) written on the face of the Outstanding Notes without alteration, addition, enlargement, or any change whatsoever.

If this Notice of Guaranteed Delivery is signed by a person other than the registered Holder(s) of any Outstanding Notes listed, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered Holder(s) appear(s) on the Outstanding Notes without alteration, addition, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and, unless waived by the Issuer, evidence satisfactory to the Issuer of their authority so to act must be submitted with this Notice of Guaranteed Delivery.

3. **Questions and Requests for Assistance or Additional Copies.** Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address set forth on the cover hereof. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offers.

QuickLinks

[Delivery to: Wachovia Bank, National Association, Exchange Agent](#)  
[INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY](#)