

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

FORM 8-K

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

Date of Report (Date of earliest event reported): February 9, 2011

HOVNANIAN ENTERPRISES, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other
Jurisdiction
of Incorporation)

1-8551
(Commission File Number)

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

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry Into a Material Definitive Agreement.

Common Stock Offering

On February 9, 2011, Hovnanian Enterprises, Inc. (“Hovnanian”), completed an underwritten public offering of 13,512,500 shares (the “Shares”) of its Class A Common Stock, par value \$0.01 per share (the “Common Stock”), including 1,762,500 Shares issued pursuant to the over-allotment option granted to the underwriters, at a price of \$4.30 per share, pursuant to an underwriting agreement (the “Common Stock Underwriting Agreement”) among Hovnanian and J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., and the several other underwriters named therein. The Common Stock Underwriting Agreement has previously been filed as Exhibit 1.3 to Hovnanian’s Current Report on Form 8-K dated February 9, 2011.

Senior Notes Offering

On February 14, 2011, K. Hovnanian Enterprises, Inc. (“K. Hovnanian”), a wholly owned subsidiary of Hovnanian, completed an underwritten public offering of \$155,000,000 aggregate principal amount of 11⁷/₈% Senior Notes due 2015 (the “Senior Notes”), pursuant to an underwriting agreement (the “Senior Notes Underwriting Agreement”) among K. Hovnanian, Hovnanian, the Subsidiary Guarantors (as defined below), and Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC. The Senior Notes Underwriting Agreement has previously been filed as Exhibit 1.2 to Hovnanian’s Current Report on Form 8-K dated February 9, 2011.

In connection with the issuance of the Senior Notes, K. Hovnanian and Hovnanian, as guarantor, entered into an Indenture dated as of February 14, 2011 with Wilmington Trust Company, as trustee (the “Senior Notes Base Indenture”), and a First Supplemental Indenture, with the Subsidiary Guarantors and the Trustee (the “Senior Notes Supplemental Indenture” and, together with the Senior Notes Base Indenture, the “Senior Notes Indenture”). The form of the Senior Notes Base Indenture was filed as Exhibit 4.14 to Hovnanian’s, K. Hovnanian’s and the Subsidiary Guarantors’ Registration Statement on Form S-3 (File No. 333-171349) (the “Registration Statement”). As of the date of the Senior Notes Supplemental Indenture, Hovnanian and each of Hovnanian’s subsidiaries, except for its home mortgage subsidiaries, joint ventures and subsidiaries holding interests in joint ventures and certain of its title insurance subsidiaries, is a guarantor of the Senior Notes (collectively, the “Subsidiary Guarantors”).

The Senior Notes bear interest at 11⁷/₈% per annum and mature on October 15, 2015. Interest is payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2011, to holders of record at the close of business on April 1 or October 1, as the case may be, immediately preceding each such interest payment date.

The Senior Notes Indenture contains restrictive covenants that limit among other things, the ability of Hovnanian and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness, pay dividends and make distributions on common and preferred stock, repurchase common and preferred stock, make other restricted payments, including investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Senior Notes Indenture also contains customary events of default which would permit the holders of the Senior Notes to declare those Senior Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Senior Notes or other material indebtedness, the failure to satisfy covenants and specified events of bankruptcy and insolvency.

Tangible Equity Units Offering

Also on February 9, 2011, Hovnanian and K. Hovnanian completed an underwritten public offering of an aggregate of 3,000,000 7.25% Tangible Equity Units (the "Units"), and on February 14, 2011, Hovnanian and K. Hovnanian issued an additional 450,000 Units pursuant to the over-allotment option granted to the underwriters as provided in the underwriting agreement (the "Units Underwriting Agreement"), among Hovnanian, K. Hovnanian and the Subsidiary Guarantors, and Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, and the several other underwriters named therein. The Units Underwriting Agreement has previously been filed as Exhibit 1.6 to Hovnanian's Current Report on Form 8-K dated February 9, 2011.

Each Unit initially consists of (i) a prepaid stock purchase contract (each, a "Purchase Contract," and collectively, the "Purchase Contracts"), which shall be settled against by Hovnanian by delivery of a number of shares of Hovnanian's Common Stock to be determined pursuant to the Purchase Contract Agreement (as defined below) and (ii) a senior subordinated amortizing note due February 15, 2014 (each, an "Amortizing Note," and collectively, the "Amortizing Notes") which has an initial principal amount of \$4.526049 per Amortizing Note, bears interest at a rate of 12.072% per annum, and has a scheduled final installment payment date of February 15, 2014. Each Unit may be separated into its constituent Purchase Contract and Amortizing Note after the initial issuance date of the Units, and the separate components may be combined to create a Unit.

In connection with the issuance of the Units (and the Purchase Contracts that are a component thereof), Hovnanian and K. Hovnanian entered into a Purchase Contract Agreement, dated as of February 9, 2011, with Wilmington Trust Company, as purchase contract agent, as trustee under the Amortizing Notes Indenture (as defined below) and as attorney-in-fact for the holders of the Purchase Contracts from time to time.

Unless settled earlier, on February 15, 2014 (subject to postponement under certain circumstances), each Purchase Contract will automatically settle and Hovnanian will deliver a number of shares of Common Stock based on the applicable market value, which is the average of the closing prices of the Common Stock on each of the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding February 15, 2014, as follows:

- if the applicable market value equals or exceeds the threshold appreciation price, which is approximately \$5.25, holders will receive 4.7655 shares (subject to adjustment);
- if the applicable market value is greater than \$4.30 but less than the threshold appreciation price, holders will receive a number of shares having a value, based on the applicable market value, equal to \$25; and
- if the applicable market value is less than or equal to \$4.30, holders will receive 5.8140 shares (subject to adjustment).

At any time prior to the third scheduled trading day immediately preceding February 15, 2014, the holder of a Purchase Contract may settle its purchase contract early, and Hovnanian will deliver 4.7655 shares of Common Stock. In addition, if a "fundamental change" (as defined in the Purchase Contract Agreement) occurs and the Purchase Contract holder elects to settle its Purchase Contract early in connection with such fundamental change, such holder will receive a number of shares of Common Stock based on the fundamental change early settlement rate, as described in the Purchase Contract Agreement. Hovnanian may elect to settle all, but not less than all, outstanding Purchase Contracts prior to February 15, 2014 at the "early mandatory settlement rate" (as defined in the Purchase Contract Agreement), upon a date fixed by Hovnanian upon not less than five business days' notice. Except for cash in lieu of fractional shares, the Purchase Contract holders will not receive any cash distributions under the Purchase Contracts.

In order to preserve the tax treatment of Hovnanian's net operating loss carryforwards under the Internal Revenue Code of 1986, as amended, beneficial owners of Units and any separate Purchase Contracts will be subject to both a beneficial ownership limitation (the "Section 382 Ownership Blocker") and a settlement limitation (the "Section 382 settlement blocker") each as described in the Purchase Contract Agreement. In addition, holders of Common Stock (including holders of Units or separate Purchase Contracts that become holders of Common Stock upon settlement of the Purchase Contracts), will be subject to both Hovnanian's stockholder rights plan and the transfer restrictions of Hovnanian's amended Certificate of Incorporation, each as further described in the Registration Statement, and the prospectus supplement relating to the offering of the Units dated February 3, 2011 to the prospectus contained therein dated January 28, 2011.

In connection with the issuance of the Amortizing Notes, which are a component of the Units, K. Hovnanian and Hovnanian, as guarantor, entered into Indenture, dated as of February 9, 2011 with Wilmington Trust Company, as trustee (the "Amortizing Notes Base Indenture"), and a First Supplemental Indenture, with the Subsidiary Guarantors (as defined above under Senior Notes Offering) and the Trustee (the "Amortizing Notes Supplemental Indenture" and, together, with the Amortizing Notes Base Indenture, the "Amortizing Notes Indenture"). The form of the Amortizing Notes Base Indenture was filed as Exhibit 4.15 to the Registration Statement. As of the date of the

Amortizing Notes Supplemental Indenture, the Amortizing Notes are guaranteed by Hovnanian and the Subsidiary Guarantors.

On each February 15, May 15, August 15 and November 15, commencing on May 15, 2011 (each, an "installment payment date"), K. Hovnanian will pay holders of Amortizing Notes equal quarterly cash installments of \$0.453125 per Amortizing Note (except for the May 15, 2011 installment payment, which will be \$0.483334 per Amortizing Note), which cash payment in the aggregate will be equivalent to 7.25% per year with respect to each \$25 stated amount of Units. Each installment will constitute a payment of interest (at a rate of 12.072% per annum) and a partial repayment of principal on the Amortizing Note, allocated as set forth in the amortization schedule provided in the Amortizing Notes Supplemental Indenture. If Hovnanian elects to settle the Purchase Contracts early, holders of the Amortizing Notes will have the right to require K. Hovnanian to repurchase such holders' Amortizing Notes, except in certain circumstances as described in the Amortizing Notes Indenture.

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

The Amortizing Notes Indenture also contains restrictive covenants that limit among other things, the ability of Hovnanian and certain of its subsidiaries, including K. Hovnanian, to incur subordinated indebtedness unless such indebtedness is subordinate to or *pari passu* with the obligations of K. Hovnanian, Hovnanian and the Subsidiary Guarantors under the Amortizing Notes and the guarantees thereof, and to consolidate, merge, sell or otherwise dispose of all or substantially all of its assets.

Hovnanian has applied to list the Units on the New York Stock Exchange, subject to satisfaction of its minimum listing standards with respect to the Units. If the Units are approved for listing, Hovnanian expects trading on the New York Stock Exchange to begin within 30 calendar days after the date of original issuance of the Units. However, Hovnanian will not initially apply to list the separate purchase contracts or the separate amortizing notes on any securities exchange or automated inter-dealer quotation system.

General

The sale of the Shares, the Senior Notes and the Units was made pursuant to the Registration Statement and the prospectus supplements, dated February 3, 2011, to the prospectus contained therein dated January 28, 2011.

The proceeds from the issuances of the Shares, the Senior Notes and the Units were used to fund the purchase, on February 14, 2011, of certain of K. Hovnanian's senior and senior subordinated notes in tender offers for any and all of such notes as follows: \$24.6 million aggregate principal amount of 8% Senior Notes due 2012 (the "2012 Senior Notes"), \$44.1 million aggregate principal amount of 8⁷/₈% Senior Subordinated Notes due 2012 (the "2012 Senior Subordinated Notes") and \$29.2 million aggregate principal amount of 7³/₄% Senior Subordinated Notes due 2013 (the "2013 Notes" and, together with the 2012 Senior Notes and the 2012 Senior Subordinated Notes, the "Tender Offer Notes"). The tender offers will remain open until 12:00 midnight, New York City time, on February 28, 2011. Also on February 14, 2011, K. Hovnanian called for redemption all Tender Offer Notes that are not tendered in the tender offers. Such redemptions will be funded with the proceeds from the offerings of the Shares, the Senior Notes and the Units.

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

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

Item 8.01 Other Events.

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

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

- Exhibit 4.24 Purchase Contract Agreement, dated as of February 9, 2011, among Hovnanian, K. Hovnanian and Wilmington Trust Company, as Trustee under the Amortizing Notes Indenture, as Purchase Contract Agent and as attorney-in-fact for the holders of the Purchase Contracts from time to time.
- Exhibit 4.25 Form of Unit (included in Exhibit 4.24 hereof).
- Exhibit 4.26 Form of Purchase Contract (included in Exhibit 4.24 hereof).
- Exhibit 4.27 Amortizing Notes Supplemental Indenture, dated as of February 9, 2011, among K. Hovnanian, Hovnanian and the other guarantors named therein and Wilmington Trust Company, as Trustee.
- Exhibit 4.28 Form of Amortizing Note (included in Exhibit 4.27 hereof).
- Exhibit 4.29 Senior Notes Supplemental Indenture, dated as of February 14, 2011, among K. Hovnanian, Hovnanian and the other guarantors named therein and Wilmington Trust Company, as Trustee.
- Exhibit 4.30 Form of Senior Note (included in Exhibit 4.29 hereof).
- Exhibit 5.3 Opinion of Simpson Thacher & Bartlett LLP.
- Exhibit 5.4 Opinion of Peter S. Reinhart, Senior Vice-President and General Counsel of Hovnanian and K. Hovnanian.
- Exhibit 23.5 Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 5.3).
- Exhibit 23.6 Consent of Peter S. Reinhart, Senior Vice-President and General Counsel of Hovnanian and K. Hovnanian (included in Exhibit 5.4).
- Exhibit 99.1 Information relating to Part II, Item 14 “Other Expenses of Issuance and Distribution” of the Registration Statement (File No. 333-171349).

SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.
(Registrant)

By: /s/ Peter S. Reinhart

Name: Peter S. Reinhart

Title: Senior Vice President and General Counsel

Date: February 15, 2011

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<u>Exhibit Number</u>	<u>Exhibit</u>
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PURCHASE CONTRACT AGREEMENT

Dated as of February 9, 2011

among

HOVNANIAN ENTERPRISES, INC.

and

K. HOVNANIAN ENTERPRISES, INC.

and

WILMINGTON TRUST COMPANY,

as Purchase Contract Agent,

as Attorney-in-Fact for the Holders from time to time as provided herein

and as Trustee under the Indenture referred to herein

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PURCHASE CONTRACT AGREEMENT, dated as of February 9, 2011 among HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the “**Company**”), K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Note Issuer**”), and WILMINGTON TRUST COMPANY, a Delaware banking corporation acting as purchase contract agent and attorney-in-fact for the Holders of Purchase Contracts (as defined herein) from time to time (the “**Purchase Contract Agent**”) and as trustee under the Indenture (as defined herein).

RECITALS OF THE COMPANY AND THE NOTE ISSUER

The Company and the Note Issuer have duly authorized the execution and delivery of this Agreement and the Units and Purchase Contracts issuable hereunder.

All things necessary to make the Units and the Purchase Contracts, when such are executed by the Company and, in the case of the Units, by the Note Issuer, and authenticated on behalf of the Holders and delivered by the Purchase Contract Agent, as provided in this Agreement, the valid obligations of the Company and, in the case of the Units, of the Note Issuer, and to constitute this Agreement a valid agreement of the Company and the Note Issuer, in accordance with its terms, have been done. For and in consideration of the premises and the purchase of the Units (including the constituent parts thereof) by the Holders thereof, it is mutually agreed as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, and nouns and pronouns of the masculine gender include the feminine and neuter genders;
 - (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States;
 - (c) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision; and
 - (d) the following terms have the meanings given to them in this Section 1.01(d):
-

“**Acceleration Date**” has the meaning set forth in Section 4.09.

“**Acquiring Person**” has the meaning set forth in the Rights Plan (for the avoidance of doubt, regardless of whether the Rights Plan is then in effect).

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

“**Agreement**” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more agreements supplemental hereto entered into pursuant to the applicable provisions hereof.

“**Applicable Market Value**” (i) with respect to Class A Common Stock, means the average of the Closing Prices of the Class A Common Stock on each of the 20 consecutive Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding the Scheduled Mandatory Settlement Date, subject to adjustment as provided in Article 5 and (ii) with respect to any Exchange Property, has the meaning set forth in Section 5.02(a).

“**Applicants**” has the meaning set forth in Section 8.12(b).

“**Bankruptcy Event**” means the occurrence of one or more of the following events:

(a) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company under any Bankruptcy Law and if such decree or order shall have been entered more than 60 days prior to the last Trading Day of the 20 consecutive Trading Day during which the Applicable Market Value is determined, such decree or order shall have continued undischarged and unstayed for a period of 60 days;

(b) a decree or order by a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee (or other similar official) in bankruptcy or insolvency of the Company or of all or substantially all of its property, or for the winding up or liquidation of its affairs, shall have been entered and if such decree or order shall have been entered more than 60 days prior to the last Trading Day of the 20 consecutive Trading Day during which the Applicable Market Value is determined, such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(c) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under any Bankruptcy Law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee (or other similar official) in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

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

“**Beneficial Holder**” means, with respect to a Book-Entry Interest, a Person who is the beneficial owner of such Book-Entry Interest as reflected on the books of the Depository or on the books of a Person maintaining an account with the Depository (directly as a Depository Participant or as an indirect participant, in each case in accordance with the rules of the Depository).

“**Beneficially Own**” shall have the meaning set forth in the Rights Plan (for the avoidance of doubt, regardless of whether the Rights Plan is then in effect). For the avoidance of doubt, for the purposes of administering the Section 382 Ownership Blocker and the Section 382 Settlement Blocker, a Person shall not be deemed to Beneficially Own any shares of another Person (and the first Person shall not be treated as an “Affiliate” or an “Associate” (as such terms are defined in the Rights Plan) of the second Person) solely by reason of the shares of such Persons being aggregated and treated as owned by the same public group as defined under Treasury Regulation section 1.382-2T(f)(13).

“**Board of Directors**” means the board of directors of the Company or any duly authorized committee of that board or any director or directors and/or, with respect to the Notes, any officer or officers to whom that board or committee shall have duly delegated its authority.

“**Board Resolution**” means (a) one or more resolutions, certified by the secretary or an assistant secretary of the Company to have been duly adopted or consented to by the Board of Directors and to be in full force and effect, or (b), with respect to the Notes, a certificate signed by the director or directors and/or officer or officers to whom the Board of Directors or any duly authorized committee of that Board shall have duly delegated its authority, in each case delivered to the Purchase Contract Agent.

“**Book-Entry Interest**” means a beneficial interest in a Global Security, registered in the name of a Depository or a nominee thereof, ownership and

transfers of which shall be maintained and made through book entries by such Depositary as described in Section 3.06.

“**Business Day**” means any day other than a Saturday, Sunday or any day on which banking institutions in New York, New York are authorized or obligated by applicable law or executive order to close or be closed.

“**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.

“**Certificate of Incorporation**” means the Certificate of Incorporation of the Company as in effect on the Issue Date.

“**Class A Common Stock**” means the Class A common stock, par value \$0.01 per share, of the Company as it existed on the date of this Agreement, subject to Section 5.02.

“**Clearing Agency**” means an organization registered as a “Clearing Agency” pursuant to Section 17A of the Exchange Act.

“**close of business**” means 5:00 p.m. (New York City time).

“**Closing Price**” with respect to any Exchange Property, has the meaning set forth in Section 5.02; and with respect to a share of the Class A Common Stock on any given date, means:

(a) the reported closing price on that date or, if no closing price is reported, the last reported sale price of shares of Class A Common Stock on the NYSE on that date;

(b) if the Class A Common Stock is not traded on the NYSE, the closing price on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Class A Common Stock is so traded or, if no closing price is reported, the last reported sale price of the Class A Common Stock on the principal U.S. national or regional securities exchange on which the Class A Common Stock is so traded;

(c) if the Class A Common Stock is not traded on a U.S. national or regional securities exchange, the last quoted bid price on that date for the Class A Common Stock in the over-the-counter market as reported by Pink OTC Markets Inc. or a similar organization; or

(d) if the Class A Common Stock is not so quoted by Pink OTC Markets Inc. or a similar organization, the market value of the Class A Common Stock on that date as determined by the Board of Directors.

All references herein to the closing price of Class A Common Stock and the last reported sale price of Class A Common Stock on the NYSE shall be such closing price and such last reported sale price as reflected on the website of the NYSE (www.nyse.com) and as reported by Bloomberg Professional Service; *provided* that, in the event that there is a discrepancy between the closing price and the last reported sale price as reflected on the website of the NYSE and as reported by Bloomberg Professional Service, the closing price and the last reported sale price on the website of the NYSE shall govern.

“**Code**” means the Internal Revenue Code of 1986 (title 26 of the United States Code), as amended from time to time.

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

“**Company**” means the Person named as the “Company” in the first paragraph of this Agreement until a successor shall have become such pursuant to Article 10, and thereafter “Company” shall mean such successor.

“**Component Note**” means a Note, in global form and attached to a Global Unit, that (a) shall evidence the number of Notes specified therein that are components of the Units evidenced by such Global Unit, (b) shall be registered on the security register for the Notes in the name of the Purchase Contract Agent, as attorney-in-fact of holder(s) of the Units of which such Notes form a part, and (c) shall be held by the Purchase Contract Agent as attorney-in-fact of such holder(s), together with such Global Unit, as custodian of such Global Unit for the Depositary.

“**Component Purchase Contract**” means a Purchase Contract, in global form and attached to a Global Unit, that (a) shall evidence the number of Purchase Contracts specified therein that are components of the Units evidenced by such Global Unit, (b) shall be registered on the Security Register in the name of the Purchase Contract Agent, as attorney-in-fact of holder(s) of the Units of which such Purchase Contract forms a part, and (c) shall be held by the Purchase Contract Agent as attorney-in-fact of such holder(s), together with such Global Unit, as custodian of such Global Unit for the Depositary.

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

“**Corporate Trust Office**” means the principal corporate trust office of the Purchase Contract Agent at which, at any particular time, its corporate trust business shall be principally administered, which office at the date hereof is located at Rodney Square North, 1100 North Market Street, Wilmington, DE 19890.

“**Current Market Price**” per share of Class A Common Stock on any date means:

(a) for purposes of Section 5.01(a)(ii), the average of the Closing Prices of the Class A Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance or distribution requiring such computation;

(b) for purposes of Section 5.01(a)(iv) (in the event of an adjustment not relating to a Spin-Off) and Section 5.01(a)(v), the average of the Closing Prices of the Class A Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the earlier of the Ex-Date and the Record Date for the issuance or distribution requiring such computation;

(c) for purposes of Section 5.01(a)(iv) (in the event of an adjustment relating to a Spin-Off only), the average of the Closing Prices of the Class A Common Stock over the 10 consecutive Trading Day period commencing on, and including, the effective date of such Spin-Off; and

(d) for purposes of adjustments pursuant to Section 5.01(a)(vi), the average of the Closing Prices of the Class A Common Stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day immediately following the Tender Offer Expiration Date for the relevant tender offer or exchange offer.

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

“**default**” means any failure to comply with terms of this Agreement or any covenant contained herein.

“**Definitive Equity-Linked Security**” means an Equity-Linked Security in definitive form.

“**Definitive Security**” means any Security in definitive form.

“**Depository**” means a Clearing Agency that is acting as a depository for the Equity-Linked Securities and in whose name, or in the name of a nominee of that organization, shall be registered one or more Global Securities and which shall undertake to effect book-entry transfers of the Equity-Linked Securities as contemplated by Section 3.06, Section 3.07, Section 3.08 and Section 3.09.

“**Depository Participant**” means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Depository effects book-entry transfers of securities deposited with the Depository.

“**Determination Date**” means each of (a) the last Trading Day of the 20 Trading Day period during which the Applicable Market Value is determined, (b) any Early Settlement Date, (c) any Early Mandatory Settlement Notice Date, (d) any date on which the Fundamental Change Early Settlement Right is exercised, and (e) the day immediately preceding any Acceleration Date.

“**DTC**” means The Depository Trust Company.

“**DWAC System**” has the meaning set forth in Section 2.03(a).

“**Early Mandatory Settlement Date**” has the meaning set forth in Section 4.08(a).

“**Early Mandatory Settlement Notice**” has the meaning set forth in Section 4.08(b).

“**Early Mandatory Settlement Notice Date**” has the meaning set forth in Section 4.08(b)(ii).

“**Early Mandatory Settlement Rate**” shall be the Maximum Settlement Rate on the Early Mandatory Settlement Notice Date, unless the Closing Price of the Class A Common Stock for 20 or more Trading Days in a period of 30 consecutive Trading Days ending on the Trading Day immediately preceding the Early Mandatory Settlement Notice Date exceeds 130% of the Threshold Appreciation Price in effect on each such Trading Day, in which case the “**Early Mandatory Settlement Rate**” shall be the Minimum Settlement Rate on the Early Mandatory Settlement Notice Date.

“**Early Mandatory Settlement Right**” has the meaning set forth in Section 4.08(a).

“**Early Settlement**” means, in respect of any Purchase Contract, that the Holder of such Purchase Contract has elected to settle such Purchase Contract early pursuant to Section 4.06 or Section 4.07, as the case may be.

“**Early Settlement Right**” has the meaning set forth in Section 4.06(a).

“**Early Settlement Date**” has the meaning set forth in Section 4.06(c).

“**Early Settlement Notice**” has the meaning set forth in Section 4.06(b)(i).

“**Early Settlement Rate**” means, for any Purchase Contract in respect of which Early Settlement is applicable, the Minimum Settlement Rate, unless the Holder of such Purchase contract has elected to settle such Purchase Contract early in connection with a Fundamental Change pursuant to Section 4.07, in which case the “**Early Settlement Rate**” for such Purchase Contract means the Fundamental Change Early Settlement Rate.

“**Effective Date**” has the meaning set forth in Section 4.07(d).

“**Equity-Linked Security**” means a Unit or a Purchase Contract, as applicable.

“**Excess Equity-Linked Securities**” has the meaning set forth in Section 3.10(c).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and any statute successor thereto, in each case as amended from time to time, together with the rules and regulations promulgated thereunder.

“**Exchange Property**” has the meaning set forth in Section 5.02.

“**Ex-Date**” when used with respect to any issuance or distribution, means the first date on which the shares of Class A Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance or distribution in question from the Company or, if applicable, from the seller of the Class A Common Stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**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, as evidenced by a resolution of the Board of Directors.

“**Fixed Settlement Rate**” has the meaning set forth in Section 4.01(c).

“**Fundamental Change**” shall be deemed to have occurred upon the occurrence of any of the following:

(a) the Class A Common Stock (or other common stock receivable upon settlement of the Purchase Contracts, if applicable) is neither listed for trading on a United States national securities exchange nor approved for trading on an established automated over-the-counter trading market in the United States;

(b) the consummation of any acquisition (whether by means of a liquidation, share exchange, tender offer, consolidation, recapitalization, reclassification, merger of the Company or any sale, lease or other transfer of all or substantially all of the consolidated assets of the Company and its Subsidiaries) or a series of related transactions or events pursuant to which:

(i) 90% or more of the Class A Common Stock is exchanged for, converted into or constitutes solely the right to receive cash, securities or other property; and

(ii) more than 10% of such cash, securities or other property does not consist of shares of common stock that are, or that upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States; or

(c) any “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, any of its Subsidiaries and any of their employee benefit plans, has become the direct or indirect “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of Class A Common Stock representing more than 50% of the voting power of the Class A Common Stock.

“**Fundamental Change Early Settlement Date**” has the meaning set forth in Section 4.07(b).

“**Fundamental Change Early Settlement Period**” has the meaning set forth in Section 4.07(a).

“**Fundamental Change Early Settlement Rate**” has the meaning set forth in Section 4.07(d).

“**Fundamental Change Early Settlement Right**” has the meaning set forth in Section 4.07(a).

“**Global Note**” means a Note, as defined in the Indenture, in global form that (a) shall evidence the number of Separate Notes specified therein, (b) shall be registered on the security register for the Notes in the name of the Depositary or its nominee, and (c) shall be held by the Trustee as custodian for the Depositary.

“**Global Purchase Contract**” means a Purchase Contract in global form that (a) shall evidence the number of Separate Purchase Contracts specified therein, (b) shall be registered on the Security Register in the name of the Depositary or its nominee, and (c) shall be held by the Purchase Contract Agent as custodian for the Depositary.

“**Global Security**” means a Global Unit, a Global Purchase Contract or a Global Note, as applicable.

“**Global Unit**” means a Unit in global form that (a) shall evidence the number of Units specified therein, (b) shall be registered on the Security Register in the name of the Depositary or its nominee, (c) shall include, as attachments thereto, a Component Note and a Component Purchase Contract, evidencing, respectively, a number of Notes and a number of Purchase Contracts, in each case, equal to the number of Units evidenced by such Unit in global form, and (d) shall be held by the Purchase Contract Agent as custodian for the Depositary.

“**Holder**” means, with respect to a Unit or Purchase Contract, the Person in whose name the Unit or Purchase Contract, as the case may be, is registered in the Security Register, and with respect to a Note, the Person in whose name the Note is registered as provided for in the Indenture; *provided, however*, that in determining whether the Holders of the requisite number of Units or Purchase Contracts, as the case may be, have voted on any matter, then for the purpose of such determination only (and not for any other purpose hereunder), if the Units or Purchase Contracts, as the case may be, remain in the form of one or more Global Securities and if the Depositary that is the registered holder of such Global Security has sent an omnibus proxy assigning voting rights to the Depositary Participants to whose accounts the Units or Purchase Contracts, as the case may be, are credited on the related record date, the term “**Holder**” shall mean such Depositary Participant acting at the direction of the Beneficial Holders.

“**Indenture**” means the Senior Subordinated Indenture, dated as of February 9, 2011, among the Note Issuer, the Company and the Trustee (including any provisions of the TIA that are deemed incorporated therein), as supplemented by the First Supplemental Indenture, dated as of February 9, 2011, among the Note Issuer, the Company, the other Guarantors from time to time party thereto, and the Trustee, pursuant to which the Notes will be issued.

“**Installment Payment**” has the meaning set forth in the Indenture.

“**Issue Date**” means February 9, 2011.

“**Issuer Order**” means a written statement, request or order of the Company, which is signed in its name by the chairman of the Board of Directors, the chief financial officer, the president or chief executive officer, any senior vice president, any vice president or the treasurer of the Company, and delivered to the Purchase Contract Agent and/or the Trustee.

“**Mandatory Settlement Date**” means the Scheduled Mandatory Settlement Date, subject to acceleration pursuant to Section 4.09; *provided* that, if one or more of the 20 Scheduled Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding the Scheduled Mandatory Settlement Date is not a Trading Day, the “**Mandatory Settlement Date**” shall be postponed until the third Scheduled Trading Day immediately following the last Trading Day of the 20 Trading Day period during which the Applicable Market Value is determined.

“**Maximum Settlement Rate**” has the meaning set forth under Section 4.01(b)(iii), subject to adjustment pursuant to the terms of Article 5.

“**Minimum Settlement Rate**” has the meaning set forth under Section 4.01(b)(i), subject to adjustment pursuant to the terms of Article 5.

“**Minimum Stock Price**” has the meaning set forth under Section 4.07(f).

“**Notes**” means the series of notes designated as the 12.072% Senior Subordinated Amortizing Notes due February 15, 2014 to be issued by the Note Issuer under the Indenture, and “**Note**” means each note of such series having an initial principal amount of \$4.526049.

“**NYSE**” means the New York Stock Exchange, Inc.

“**Officers’ Certificate**” means a certificate signed by the chairman of the Board of Directors, the president or chief executive officer, or any vice president and by the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Company. Each such certificate shall include the statements provided for in Section 1.02 if and to the extent required by the provisions of such Section 1.02.

“**open of business**” means 9:00 a.m. (New York City time).

“**Opinion of Counsel**” means an opinion in writing signed by the chief counsel of the Company or the Note Issuer or by such other legal counsel who may be an employee of or counsel to the Company or the Note Issuer and who shall be reasonably satisfactory to the Purchase Contract Agent and/or the Trustee,

as applicable. Each such opinion shall include the statements provided for in Section 1.02 if and to the extent required by the provisions of such Section 1.02.

“**Outstanding Purchase Contracts**” means, subject to the provisions of Section 6.03, as of the date of determination, all Purchase Contracts theretofor executed, authenticated on behalf of the Holder and delivered under this Agreement (including, for the avoidance of doubt, Purchase Contracts held as a component of Units and Separate Purchase Contracts), except:

(a) Purchase Contracts theretofor cancelled by the Purchase Contract Agent or delivered to the Purchase Contract Agent for cancellation or deemed cancelled pursuant to the provisions of this Agreement; and

(b) Purchase Contracts in exchange for or in lieu of which other Purchase Contracts have been executed, authenticated on behalf of the Holder and delivered pursuant to this Agreement, other than any such Purchase Contract in respect of which there shall have been presented to the Purchase Contract Agent proof satisfactory to it that such Purchase Contract is held by a protected purchaser in whose hands the Purchase Contracts are valid obligations of the Company.

“**Participant**” has the meaning set for in Section 2.03(a).

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

“**Prospectus Supplement**” means the preliminary prospectus supplement dated January 31, 2011, as supplemented by the pricing term sheet dated February 3, 2011, relating to the offering and sale of the Units.

“**Purchase Contract**” means a prepaid stock purchase contract obligating the Company to deliver shares of Class A Common Stock on the terms and subject to the conditions set forth herein.

“**Purchase Contract Agent**” means the Person named as the “Purchase Contract Agent” in the first paragraph of this Agreement until a successor Purchase Contract Agent shall have become such pursuant to Article 8, and thereafter “Purchase Contract Agent” shall mean such Person.

“**Purchase Contract Settlement Fund**” has the meaning set forth in Section 4.03.

“**Record Date**” means, when used with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Common Stock (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Class A Common Stock (or other applicable security) entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

“**Reference Price**” means \$4.30, subject to adjustment pursuant to Section 5.01(f).

“**Reorganization Event**” has the meaning set forth in Section 5.02(a).

“**Repurchase Date**” has the meaning set forth in the Indenture.

“**Repurchase Price**” has the meaning set forth in the Indenture.

“**Repurchase Right**” has the meaning set forth in the Indenture.

“**Responsible Officer**” means any officer of the Purchase Contract Agent with direct responsibility for the administration of this Agreement.

“**Rights Plan**” means the Rights Agreement, dated as of August 14, 2008, between the Company and National City Bank, as Rights Agent.

“**Scheduled Mandatory Settlement Date**” means February 15, 2014.

“**Scheduled Trading Day**” is a day that is scheduled to be a Trading Day on the U.S. national or regional securities exchange or association or over-the-counter market on which the Class A Common Stock is listed or admitted for trading. If the Class A Common Stock is not so listed or admitted for trading, “**Scheduled Trading Day**” means a Business Day.

“**Section 382 Ownership Blocker**” has the meaning set forth in Section 3.10(a).

“**Section 382 Settlement Blocker**” has the meaning set forth in Section 4.10.

“**Securities Act**” means the Securities Act of 1933, as amended, and any statute successor thereto, in each case as amended from time to time, and the rules and regulations promulgated thereunder.

“**Security**” means a Unit, a Purchase Contract or a Note, as applicable.

“**Security Register**” has the meaning set forth in Section 3.05.

“**Security Registrar**” has the meaning set forth in Section 3.05.

“**Separate Note**” has the meaning set forth in Section 2.03(a).

“**Separate Purchase Contract**” has the meaning set forth in Section 2.03(a).

“**Settlement Date**” means any Fundamental Change Early Settlement Date, Early Settlement Date, Early Mandatory Settlement Date, or Mandatory Settlement Date.

“**Settlement Rate**” has the meaning set forth in Section 4.01(b).

“**Spin-Off**” means the Company makes a dividend or other distribution to all or substantially all holders of Class A Common Stock consisting of Capital Stock of, or similar equity interests in, or relating to, a Subsidiary or other business unit of the Company that, upon issuance, will be traded on a U.S. national securities exchange.

“**Stated Amount**” means \$25.

“**Stock Price**” has the meaning set forth in Section 4.07(d).

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

“**Tender Offer Expiration Date**” has the meaning set forth in Section 5.01(a)(vi).

“**Tender Offer Expiration Time**” has the meaning set forth in Section 5.01(a)(vi)(A)(2).

“**Threshold Appreciation Price**” means an amount equal to the Stated Amount, *divided by* the Minimum Settlement Rate (such quotient rounded to the nearest \$0.0001). The Threshold Appreciation Price shall initially be \$5.2460.

“**TIA**” means the Trust Indenture Act of 1939, as amended from time to time.

“**Trading Day**” means a day on which shares of the Class A Common Stock (a) are not suspended from trading on any U.S. national or regional securities exchange or association or over-the-counter market at the close of business and (ii) have traded at least once on the U.S. national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Class A Common Stock. If the Class A Common Stock (or any other security for which the Closing Price must be determined) is not listed or admitted for trading on any U.S. national or regional securities exchange or association or over-the-counter market, “**Trading Day**” means a Business Day.

“**Trustee**” means Wilmington Trust Company, as trustee under the Indenture, or any successor thereto.

“**Underwriters**” has the meaning set forth in the Underwriting Agreement.

“**Underwriting Agreement**” means the Underwriting Agreement, dated as of February 3, 2011, between the Company, the Note Issuer, the Guarantors named in Schedule B thereto and the Underwriters named therein relating to the Units.

“**Unit**” means the collective rights of a Holder of a unit consisting of a single Purchase Contract and a single Note prior to separation pursuant Section 2.03 or subsequent to recreation pursuant to Section 2.04.

“**Valuation Period**” has the meaning set forth in Section 5.01(a)(iv)(B)(1).

Section 1.02. Compliance Certificates and Opinions. Except as otherwise expressly provided by this Agreement, upon any application or request by the Company to the Purchase Contract Agent and/or Trustee to take any action in accordance with any provision of this Agreement, the Company or the Note Issuer, as applicable, shall furnish to the Purchase Contract Agent and/or Trustee, as applicable, an Officers’ Certificate stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Every Officers’ Certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(i) a statement that each individual signing such Officers' Certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or opinion are based;

(iii) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

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

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

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

Section 1.03. Notices. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Purchase Contract Agent or by the Holders to or on the Company or the Note Issuer may be given or served by being deposited postage prepaid, first class mail (except as otherwise specifically provided herein) addressed (until another address of the Company or the Note Issuer is filed by the Company or the Note Issuer with the Purchase Contract Agent) (a) in the case of the Company, to Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, and (b) in the case of the Note Issuer, to K. Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701. Any notice, direction, request or demand by the Company, the Note Issuer or any Holder to or upon the Purchase Contract Agent or the Trustee shall be deemed to have been sufficiently given or served by being deposited postage prepaid, first class mail (except as otherwise specifically provided herein) addressed (until another address of the Purchase Contract Agent or Trustee is filed by the Purchase Contract Agent or Trustee with the Company and the Note Issuer) to Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890.

Where this Agreement provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Security Register. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Purchase Contract Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Company or the Note Issuer when such notice is required to be given pursuant to any provision of this Agreement, then any manner of giving such notice as shall be reasonably satisfactory to the Purchase Contract Agent shall be deemed to be sufficient notice.

Section 1.04. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.05. Successors and Assigns. All covenants and agreements in this Agreement by the Company, the Note Issuer and the Purchase Contract Agent shall bind their respective successors and assigns, whether so expressed or not.

Section 1.06. Separability Clause. In case any provision in this Agreement or in the Purchase Contracts shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof and thereof shall not in any way be affected or impaired thereby.

Section 1.07. Benefits of Agreement. Nothing contained in this Agreement or in the Purchase Contracts, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and, to the extent provided hereby, the Holders, any benefits or any legal or equitable right, remedy or claim under this Agreement. The Holders from time to time shall be beneficiaries of this Agreement and shall be bound by all of the terms and conditions hereof and of the Purchase Contracts by their acceptance of delivery of such Purchase Contracts.

Section 1.08. Governing Law. This Agreement, the Units and the Purchase Contracts, and any claim, controversy or dispute arising under or related to this Agreement, the Units or the Purchase Contracts, shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 1.09. Conflict Indenture. To the extent that any provision of this Purchase Contract Agreement relating to or affecting the Notes conflicts with or is inconsistent with the Indenture, the Indenture shall govern.

Section 1.10. Legal Holidays. In any case where any Settlement Date shall not be a Business Day, notwithstanding any other provision of this Agreement or the Purchase Contracts, the settlement of the Purchase Contracts shall not be effected on such date, but instead shall be effected on the next succeeding Business Day with the same force and effect as if made on such Settlement Date, and no interest or other amounts shall accrue or be payable by the Company or to any Holder in respect of such delay.

Section 1.11. Counterparts. This Agreement may be executed in any number of counterparts by the parties hereto on separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

Section 1.12. Inspection of Agreement. A copy of this Agreement shall be available at all reasonable times during normal business hours at Hovnanian Enterprises, Inc., 110 West Front Street, Red Bank, New Jersey 07701 for inspection by any Holder or Beneficial Holder.

Section 1.13. Calculations. The solicitation of any necessary bids and the performance of any calculations to be made hereunder shall be the sole obligation of the Company, and the Purchase Contract Agent shall have no obligation to make such calculations. These calculations include, but are not limited to, determination of the applicable Settlement Rate, the Fixed Settlement Rates, the

Early Settlement Rate, the Early Mandatory Settlement Rate, the Fundamental Change Early Settlement Rate, the Applicable Market Value, the Closing Price and the Current Market Price, as the case may be. All such calculations made by the Company or its agent hereunder shall be made in good faith and, absent manifest error, be final and binding on the Purchase Contract Agent, the Trustee, each Paying Agent and the Holders. For any calculations to be made by the Company or its agent hereunder, the Company shall provide a schedule of such calculations to the Purchase Contract Agent and the Trustee, and each of the Purchase Contract Agent and the Trustee shall be entitled to conclusively rely upon the accuracy of the calculations by the Company or its agent without independent verification, shall have no liability with respect thereto and shall have no liability to the Holders for any loss any of them may incur in connection with no independent verification having been done.

Section 1.14. UCC. Each Purchase Contract (whether or not included in a Unit) is a security governed by Article 8 of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

ARTICLE 2

UNIT AND PURCHASE CONTRACT FORMS

Section 2.01. Forms of Units and Purchase Contracts Generally. (a) The Units and Purchase Contracts shall be in substantially the forms set forth in Exhibit A and Exhibit B hereto, respectively, which shall be incorporated in and made a part of this Purchase Contract Agreement, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the Units or Purchase Contracts, as the case may be, are (or may in the future be) listed or any depositary therefor, or as may, consistently herewith, be determined by the officers of the Company and Note Issuer executing such Units and Purchase Contracts, as the case may be, as evidenced by their execution thereof.

(b) The Units and Purchase Contracts shall be issuable only in registered form and only in denominations of a single Unit or Purchase Contract, as the case may be, and any integral multiple thereof.

(c) The Units will initially be issued in the form of one or more fully registered Global Units as set forth in Section 3.06. The Purchase Contracts will initially be issued as Component Purchase Contracts substantially in the form of Attachment 3 to the form of Global Unit attached as Exhibit A hereto, and will be attached to the related Global Unit and registered in the name of Wilmington Trust Company, as attorney-in-fact of the holder(s) of such Global Unit.

(d) Definitive Securities shall be printed, lithographed or engraved with steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company and Note Issuer executing the Units or Purchase Contracts, as the case may be, evidenced by such Definitive Securities, consistent with the provisions of this Agreement, as evidenced by their execution thereof.

(e) Every Global Unit and Global Purchase Contract executed, authenticated on behalf of the Holders and delivered hereunder shall bear a legend in substantially the following form:

“THIS SECURITY IS A GLOBAL [UNIT / PURCHASE CONTRACT] WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE “**DEPOSITARY**”) TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO [THE COMPANY AND THE NOTE ISSUER / THE COMPANY] OR [THEIR / ITS] [AGENTS / AGENT] FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

Section 2.02. Form of Certificate of Authentication. The form of certificate of authentication of the Units and Purchase Contracts shall be in substantially the form set forth in the form of Unit or form of Purchase Contract, respectively, attached hereto.

Section 2.03. Global Securities; Separation of Units.

(a) On any Business Day during the period beginning on, and including, the Business Day immediately following the Issue Date to, but excluding, the third Scheduled Trading Day immediately preceding the Scheduled Mandatory Settlement Date or any Early Mandatory Settlement Date, a Holder or Beneficial Holder of a Unit may separate such Unit into its constituent Purchase Contract and Note (each such separated Purchase Contract and separated Note, a “**Separate Purchase Contract**” and “**Separate Note**,” respectively), which will thereafter trade under their respective CUSIP numbers (442487 138) and (442488 201), and that Unit will cease to exist. Beneficial interests in a Unit, and after separation, the Separate Purchase Contract and Separate Note, will be shown on and transfers will be effected through direct or indirect participants in DTC. Beneficial interests in Units, Separate Purchase Contracts and Separate Notes will be evidenced by Global Units, Global Purchase Contracts and Global Notes, respectively. In order to separate a Unit into its component parts, a Beneficial Holder must deliver written instruction to the broker or other direct or indirect participant (the “**Participant**”) through which it holds an interest in such Unit to notify DTC through DTC’s Deposit/Withdrawal at Custodian System (the “**DWAC System**”) of such Beneficial Holder’s election to separate such Unit, following which the Purchase Contract Agent or Trustee, as applicable, shall register (i) a decrease in the number of Units represented by the Global Unit and the number of Purchase Contracts and Notes represented by the Component Purchase Contract and the Component Note attached to the Global Unit as Attachments 3 and 4, respectively, as set forth in Schedule A to each such attachment, and (ii) a corresponding increase in the number of Purchase Contracts and Notes represented by the Global Purchase Contract and the Global Note, respectively. If, however, such Unit is in the form of a Definitive Security in accordance with Section 3.09, the Holder thereof must deliver to the Purchase Contract Agent such Unit, together with a separation notice, in the form set forth in Attachment 1 to the form of Unit attached hereto as Exhibit A. Upon the receipt of such separation notice, the Company shall promptly cause delivery, in accordance with the delivery instructions set forth in such separation notice, of one Separate Purchase Contract and one Separate Note for each such Unit. Separate Purchase Contracts and Separate Notes will be transferable independently from each other.

(b) Holders which elect to separate the Note and related Purchase Contract in accordance with this Section 2.03 shall be responsible for any fees or expenses payable in connection with such separation, and neither the Company, the Purchase Contract Agent nor the Trustee shall be liable for any such fees or expenses.

Section 2.04. Recreation of Units.

(a) On any Business Day during the period beginning on, and including, the Business Day immediately following the Issue Date to, but excluding, the third Scheduled Trading Day immediately preceding the Mandatory Settlement Date or any Early Mandatory Settlement Date, a Holder or Beneficial Holder of a Separate Purchase Contract and a Separate Note may recreate a Unit (which will thereafter trade under the CUSIP number 44248W 208 for the Units), and each such Separate Purchase Contract and Separate Note will cease to exist. In order to recreate a Separate Purchase Contract and Separate Note into a Unit, a Beneficial Holder must deliver written instruction to the Participant through which it holds an interest in such Separate Purchase Contract and Separate Note to notify DTC through the DTC's DWAC System of such Beneficial Holder's election to recreate a Unit, following which the Purchase Contract Agent or Trustee, as applicable, shall register (i) an increase in the number of Units represented by the Global Unit and the number of Purchase Contracts and Notes represented by the Component Purchase Contract and the Component Note attached to the Global Unit as Attachments 3 and 4, respectively, as set forth in Schedule A to each such attachment, and (ii) a corresponding decrease in the number of Purchase Contracts and Notes represented by the Global Purchase Contract and Global Note, respectively. If, however, such Separate Purchase Contract and Separate Note are in the form of Definitive Securities, the Holder thereof must deliver to the Purchase Contract Agent such Definitive Securities, together with a recreation notice, in the form set forth in Attachment 2 to the form of Unit attached hereto as Exhibit A. Upon the receipt of such recreation notice, the Company shall promptly cause delivery, in accordance with the delivery instructions set forth in such recreation notice, of one Unit in definitive form for such Definitive Securities.

(b) Holders that recreate Units in accordance with this Section 2.04 shall be responsible for any fees or expenses payable in connection with such recreation, and neither the Company, the Purchase Contract Agent nor the Trustee shall be liable for any such fees or expenses.

ARTICLE 3

THE UNITS AND PURCHASE CONTRACTS

Section 3.01. Amount and Denominations. The aggregate number of Units and Separate Purchase Contracts evidenced by Equity-Linked Securities executed, authenticated on behalf of the Holders and delivered hereunder is limited to 3,000,000 (as increased by a number equal to the aggregate number of additional Units, if any, purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement), except for Units and Separate Purchase Contracts executed, authenticated and delivered upon registration of transfer of, in exchange for, or in lieu of, other

Units and Separate Purchase Contracts pursuant to Section 3.04, Section 3.05, Section 3.11 or Section 9.05.

Equity-Linked Securities that are not in the form of Global Securities shall be issuable in denominations of one Equity-Linked Security and integral multiples in excess thereof.

Section 3.02. *Rights and Obligations Evidenced by the Equity-Linked Securities.* Each Equity-Linked Security shall evidence the number of Units or Separate Purchase Contracts, as the case may be, specified therein, with (a) each such Unit representing the rights and obligations of the Holder thereof and of the Company under one Purchase Contract, and the rights and obligations of the Holder thereof and of the Note Issuer under one Note, and (b) each such Separate Purchase Contract representing the rights and obligations of the Holder thereof and of the Company under one Separate Purchase Contract. In the case of a Unit, the Holder of such Unit shall, for all purposes hereunder and under the Indenture, be deemed to be the Holder of the Note and Purchase Contract that are components of such Unit.

Prior to the close of business on the last Trading Day of the 20 Trading Day period during which the Applicable Market Value is determined with respect to any Purchase Contract or, if applicable, any earlier Determination Date with respect to such Purchase Contract (in each case, whether such Purchase Contract is held as a component of a Unit or as a Separate Purchase Contract), the shares of Class A Common Stock underlying such Purchase Contract shall not be outstanding, and such Purchase Contract shall not entitle the Holder thereof to any of the rights of a holder of Class A Common Stock, including, without limitation, the right to vote or receive any dividends or other payments or to consent or to receive notice as a shareholder in respect of the meetings of shareholders or for the election of directors for any other matter, or any other rights whatsoever as a shareholder of the Company.

Section 3.03. *Execution, Authentication, Delivery and Dating.* Upon the execution and delivery of this Agreement, and at any time and from time to time thereafter, the Company and, in the case of Units, the Note Issuer, may deliver Equity-Linked Securities executed by the Company, the Note Issuer (in the case of Units) and the Purchase Contract Agent as attorney-in-fact for the Holders of Purchase Contracts from time to time (in the case of Purchase Contracts), to the Purchase Contract Agent and Trustee for authentication on behalf of the Holders and delivery, together with the Issuer Order for authentication of such Equity-Linked Securities, and the Purchase Contract Agent and Trustee in accordance with such Issuer Order shall authenticate on behalf of the Holders and deliver such Equity-Linked Securities.

The Equity-Linked Securities shall be executed on behalf of the Company and the Note Issuer by any authorized officer of the Company and the Note Issuer, respectively, and in the case of the Purchase Contracts, shall be executed on behalf of the Holders by any authorized officer of the Purchase Contract Agent as attorney-in-fact for the Holders of Purchase Contracts from time to time. The signature of any such officer on the Equity-Linked Securities may be manual or facsimile.

Equity-Linked Securities bearing the manual or facsimile signature of an individual who was at any time the proper officer of the Company, the Note Issuer or, in the case of the Purchase Contracts, the Purchase Contract Agent, shall bind the Company, the Note Issuer, and the Holders of Purchase Contracts, as the case may be, notwithstanding that such individual has ceased to hold such offices prior to the authentication and delivery of such Equity-Linked Securities or did not hold such offices at the date of such Equity-Linked Securities.

Each Equity-Linked Security shall be dated the date of its authentication.

No Equity-Linked Security shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose unless there appears on such Equity-Linked Security a certificate of authentication substantially in the form provided for herein executed by an authorized officer of the Purchase Contract Agent and Trustee (if applicable) by manual signature, and such certificate upon any Equity-Linked Security shall be conclusive evidence, and the only evidence, that such Equity-Linked Security has been duly authenticated and delivered hereunder.

Section 3.04. *Temporary Equity-Linked Securities.* Pending the preparation of Definitive Equity-Linked Securities, the Company and, in the case of Units, the Note Issuer, shall execute and deliver to the Purchase Contract Agent and, in the case of Units, Trustee, and the Purchase Contract Agent and, if applicable, Trustee shall authenticate on behalf of the Holders, and deliver, in lieu of such Definitive Equity-Linked Securities, temporary Equity-Linked Securities that are in substantially the form set forth in Exhibit A or Exhibit B hereto, as the case may be, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the Units or Separate Purchase Contracts, as the case may be, are listed, or as may, consistently herewith, be determined by the officers of the Company executing such Equity-Linked Securities, as evidenced by their execution of the Equity-Linked Securities.

If temporary Equity-Linked Securities are issued, the Company and, if applicable, the Note Issuer will cause Definitive Equity-Linked Securities to be

prepared without unreasonable delay. After the preparation of Definitive Equity-Linked Securities, the temporary Equity-Linked Securities shall be exchangeable for Definitive Equity-Linked Securities upon surrender of the temporary Equity-Linked Securities at the Corporate Trust Office, at the expense of the Company and, if applicable, the Note Issuer and without charge to the Holder or the Purchase Contract Agent. Upon surrender for cancellation of any one or more temporary Equity-Linked Securities, the Company and, if applicable, the Note Issuer shall execute and deliver to the Purchase Contract Agent and Trustee, and the Purchase Contract Agent and, if applicable, the Trustee shall authenticate on behalf of the Holder, and deliver in exchange therefor, one or more Definitive Equity-Linked Securities of like tenor and denominations and evidencing a like number of Units or Separate Purchase Contracts, as the case may be, as the temporary Equity-Linked Security or Equity-Linked Securities so surrendered. Until so exchanged, the temporary Equity-Linked Securities shall in all respects evidence the same benefits and the same obligations with respect to the Units or Separate Purchase Contracts, as the case may be, evidenced thereby as Definitive Equity-Linked Securities.

Section 3.05. Registration; Registration of Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office a register (the “**Security Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Equity-Linked Securities and of transfers of Equity-Linked Securities. The Purchase Contract Agent is hereby initially appointed Security Registrar (the “**Security Registrar**”) for the purpose of registration of Equity-Linked Securities and transfers of Equity-Linked Securities as provided herein. The Security Registrar shall record separately the registration and transfer of the Equity-Linked Securities evidencing Units and Separate Purchase Contracts.

Upon surrender for registration of transfer of any Equity-Linked Security at the Corporate Trust Office, the Company shall execute and deliver to the Purchase Contract Agent and Trustee, and the Purchase Contract Agent and Trustee shall authenticate on behalf of the designated transferee or transferees, and deliver, in the name of the designated transferee or transferees, one or more new Equity-Linked Securities of any authorized denominations, of like tenor, and evidencing a like number of Units or Separate Purchase Contracts, as the case may be.

At the option of the Holder, Equity-Linked Securities may be exchanged for other Equity-Linked Securities, of any authorized numbers and evidencing a like number of Units or Separate Purchase Contracts, as the case may be, upon surrender of the Equity-Linked Securities to be exchanged at the Corporate Trust Office. Whenever any Equity-Linked Securities are so surrendered for exchange, the Company and, in the case of Units, the Note Issuer shall execute and deliver

to the Purchase Contract Agent and Trustee, and the Purchase Contract Agent and, in the case of Units, the Trustee shall authenticate on behalf of the Holder, and deliver the Equity-Linked Securities which the Holder making the exchange is entitled to receive.

All Equity-Linked Securities issued upon any registration of transfer or exchange of an Equity-Linked Security shall evidence the ownership of the same number of Units or Separate Purchase Contracts, as the case may be, and be entitled to the same benefits and subject to the same obligations, under this Agreement as the Units or Separate Purchase Contracts, as the case may be, evidenced by the Equity-Linked Security surrendered upon such registration of transfer or exchange.

Every Equity-Linked Security presented or surrendered for registration of transfer or exchange shall (if so required by the Purchase Contract Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Purchase Contract Agent duly executed by the Holder thereof, or its attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of an Equity-Linked Security, but the Company or the Purchase Contract Agent on behalf of the Company may require payment from the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equity-Linked Securities, other than any exchanges pursuant to Section 3.06 and Section 9.05 not involving any transfer.

Notwithstanding the foregoing, the Company and, in the case of Units, the Note Issuer shall not be obligated to execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent and, in the case of Units, the Trustee shall not be obligated to authenticate on behalf of the Holder or deliver any Equity-Linked Security in exchange for any other Equity-Linked Security presented or surrendered for registration of transfer or for exchange on or after the Business Day immediately preceding the Scheduled Mandatory Settlement Date or any earlier Settlement Date with respect to such Equity-Linked Security. In lieu of delivery of a new Equity-Linked Security, upon satisfaction of the applicable conditions specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, the Purchase Contract Agent shall, if a Settlement Date with respect to such Equity-Linked Security has occurred, deliver or cause to be delivered the shares of Class A Common Stock deliverable in respect of the Purchase Contracts evidenced by such Equity-Linked Security (together with the Separate Note, if such Equity-Linked Security is a Unit and if the Repurchase Right is not applicable or, if applicable, not exercised).

Section 3.06. *Book-Entry Interests.* The Units, on original issuance, will be issued in the form of one or more fully registered Global Units, to be delivered to the Depository or its custodian by, or on behalf of, the Company. The Company hereby designates DTC as the initial Depository. Such Global Units shall initially be registered on the books and records of the Company in the name of Cede & Co., the nominee of DTC, and no Beneficial Holder will receive a Definitive Unit representing such Beneficial Holder's interest in such Global Unit, except as provided in Section 3.09. Unless and until definitive, fully registered Securities have been issued to Beneficial Holders pursuant to Section 3.09:

(i) the provisions of this Section 3.06 shall be in full force and effect;

(ii) except as contemplated in the definition of "Holders" in Section 1.01(d), the Company shall treat the Depository for all purposes of this Agreement (including settling the Purchase Contracts and receiving approvals, votes or consents hereunder) as the Holder of the Global Units and Global Purchase Contracts and shall have no obligation to the Beneficial Holders;

(iii) to the extent that the provisions of this Section 3.06 conflict with any other provisions of this Agreement, the provisions of this Section 3.06 shall control; and

(iv) the rights of the Beneficial Holders shall be exercised only through the Depository and shall be limited to those established by law and agreements between such Beneficial Holders and the Depository or the Depository Participants.

Section 3.07. *Notices to Holders.* Whenever a notice or other communication to the Holders is required to be given under this Agreement, the Company or the Company's agent shall give such notices and communications to the Holders and, with respect to any Units or Purchase Contracts registered in the name of the Depository or the nominee of the Depository, the Company or the Company's agent shall, except as set forth herein, have no obligations to the Beneficial Holders.

Section 3.08. *Appointment of Successor Depository.* If the Depository elects to discontinue its services as securities depository with respect to the Units or Purchase Contracts, the Company may, in its sole discretion, appoint a successor Depository with respect to such Units or such Purchase Contracts, as the case may be.

Section 3.09. Definitive Securities. If:

- (i) the Depository is unwilling or unable to continue as depository for the Global Securities and the Company is unable to find a qualified replacement for such Depository within 90 days;
- (ii) at any time the Depository ceases to be a Clearing Agency registered under the Exchange Act; or
- (iii) an Event of Default (as defined in the Indenture), or any failure on the part of the Company or the Note Issuer to observe or perform any covenant or agreement in the Purchase Contracts or the Purchase Contract Agreement, has occurred and is continuing and a Beneficial Holder requests that its Securities be issued in physical, certificated form,

then, in each case the Company and/or the Note Issuer, as applicable, shall execute, and the Purchase Contract Agent and/or the Trustee, as applicable, upon receipt of an Issuer Order for the authentication and delivery of Definitive Securities, shall authenticate and deliver Definitive Securities representing an aggregate number of Securities with respect to the Global Security or Securities representing such Securities (or representing an aggregate number of Securities equal to the aggregate number of Securities in respect of which such Beneficial Holder has requested the issuance of Definitive Securities pursuant to clause (iii) above) in exchange for such Global Security or Securities (or portion thereof). Each Definitive Security so delivered shall evidence Units or Purchase Contracts or Notes, as the case may be, of the same kind and tenor as the Global Security so surrendered in respect thereof. Notwithstanding the foregoing, the exchange of Global Notes for Notes in definitive form shall be governed by the Indenture.

Section 3.10. Section 382 Ownership Blocker. (a) Notwithstanding anything to the contrary in this Agreement, no Person may purchase or otherwise acquire any Equity-Linked Securities, and no Beneficial Holder of Equity-Linked Securities shall be permitted to purchase or otherwise acquire any additional Equity-Linked Securities, if, as a result of such purchase or acquisition, such Person or Beneficial Holder, as the case may be, would Beneficially Own 4.9% or more of the Class A Common Stock then outstanding (such restriction, the “**Section 382 Ownership Blocker**”). To determine whether 4.9% or more of the Class A Common Stock then outstanding is Beneficially Owned by such Person or Beneficial Holder, as the case may be, such Person or Beneficial Holder shall:

- (i) take into account all shares of Class A Common Stock Beneficially Owned by such Person or Beneficial Holder, as the case may be;
- (ii) assume that such Person or Beneficial Holder, as the case may be, Beneficially Owns the number of shares of Class A Common

Stock issuable upon settlement of such Equity-Linked Securities based on the Maximum Settlement Rate;

(iii) deem the number of shares of Class A Common Stock calculated pursuant to clause (ii) above to be outstanding for purposes of the calculation with respect to such Person or Beneficial Holder, as the case may be,

in the case of clauses (ii) and (iii), without taking into account the Section 382 Settlement Blocker.

(b) Notwithstanding anything to the contrary in this Agreement, if a Beneficial Holder of Equity-Linked Securities purchases or otherwise acquires shares or additional shares of Class A Common Stock, as applicable, such Beneficial Holder may not beneficially own any Equity-Linked Securities to the extent that such purchase or acquisition of shares of Class A Common Stock causes such Beneficial Holder to Beneficially Own 4.9% or more of the outstanding shares of Class A Common Stock, calculated for this purpose in the same manner described in Section 3.10(a).

(c) Any purported acquisition of any Equity-Linked Security in violation of the Section 382 Ownership Blocker shall be void as of the date of the purported acquisition (or, in the case of an indirect acquisition, the ownership of the Beneficial Holder of such Equity-Linked Security shall terminate simultaneously with such indirect acquisition). The purported acquirer (or, in the case of an indirect acquisition, the Beneficial Holder) of any Equity-Linked Security purportedly acquired in violation of the Section 382 Ownership Blocker (such Equity-Linked Security, an “**Excess Equity-Linked Security**”) shall not be recognized as the Beneficial Holder of such Excess Equity-Linked Security for any purpose including, without limitation, for purposes of receiving (i) any Installment Payment (if such Excess Equity-Linked Security is a Unit), or (ii) any other payment on such Excess Equity-Linked Security. Any Excess Equity-Linked Security, and any Installment Payment or other payment on such Excess Equity-Linked Security, shall be subject to divestiture pursuant to the provisions of Paragraph Ninth of the Certificate of Incorporation as if such Excess Equity-Linked Security were an “Excess Security” as defined in such Paragraph Ninth.

(d) If any Equity-Linked Security becomes an Excess Equity-Linked Security, or if any Equity-Linked Security ceases to be an Excess Equity-Linked Security, the Company shall promptly deliver written notice thereof to the Purchase Contract Agent and the Trustee. The Purchase Contract Agent and the Trustee shall not be charged with knowledge that any Equity-Linked Security is an Excess Equity-Linked Security, or that any Equity-Linked Security is no longer an Excess Equity-Linked Security, in each case, unless either (i) a

Responsible Officer of the Purchase Contract Agent or the Trustee, as the case may be, shall have actual knowledge thereof or (ii) written notice thereof has been provided to the Purchase Contract Agent and the Trustee by the Company. The Purchase Contract Agent and the Trustee may, for purposes of this Agreement and the Indenture, conclusively rely on any such notice from the Company in accordance with the provisions of Section 8.01(b)(ii).

(e) The Board of Directors may, in its discretion, approve any acquisition of Units or Separate Purchase Contracts that would otherwise be restricted pursuant to this Section 3.10.

Section 3.11. Mutilated, Destroyed, Lost and Stolen Securities. If any mutilated Equity-Linked Security is surrendered to the Purchase Contract Agent, the Company and, if applicable, the Note Issuer shall execute and deliver to the Purchase Contract Agent and Trustee, and the Purchase Contract Agent and, if applicable, the Trustee shall authenticate on behalf of the Holder, and deliver in exchange therefor, a new Equity-Linked Security, evidencing the same number of Units or Separate Purchase Contracts, as the case may be, and bearing a security number not contemporaneously outstanding.

If there shall be delivered to the Company, the Note Issuer (in the case of any Units), the Purchase Contract Agent and the Trustee (in the case of any Units) (i) evidence to their satisfaction of the destruction, loss or theft of any Equity-Linked Security, and (ii) such security or indemnity as may be reasonable required by them to hold each of them and any agent of any of them harmless, then, in the absence of notice to the Company, the Note Issuer, the Purchase Contract Agent or the Trustee that such Equity-Linked Security has been acquired by a protected purchaser, the Company and Note Issuer (in the case of any Units) shall execute and deliver to the Purchase Contract Agent and the Trustee (in the case of any Units), and the Purchase Contract Agent and the Trustee (in the case of any Units) shall authenticate on behalf of the Holder, and deliver to the Holder, in lieu of any such destroyed, lost or stolen Equity-Linked Security, a new Equity-Linked Security, evidencing the same number of Units or Separate Purchase Contracts, as the case may be, and bearing a security number not contemporaneously outstanding.

Notwithstanding the foregoing, the Company and, in the case of Units, the Note Issuer shall not be obligated to execute and deliver to the Purchase Contract Agent and Trustee, and the Purchase Contract Agent and, in the case of Units, the Trustee shall not be obligated to authenticate on behalf of the Holder, and deliver to the Holder, an Equity-Linked Security on or after the Business Day immediately preceding the Scheduled Mandatory Settlement Date or any earlier Settlement Date with respect to such Equity-Linked Security. In lieu of delivery of a new Equity-Linked Security, upon satisfaction of the applicable conditions

specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, the Purchase Contract Agent shall, if a Settlement Date with respect to such Equity-Linked Security has occurred, deliver or arrange for delivery of the shares of Class A Common Stock deliverable in respect of the Purchase Contracts evidenced by such Equity-Linked Security (together with Separate Notes equal to the number of, and in the same form as, the Notes evidenced by such Equity-Linked Security if such Equity-Linked Security is a Unit and if the Repurchase Right is not applicable or, if applicable, not exercised).

Upon the issuance of any new Equity-Linked Security under this Section 3.11, the Company and, in the case of any new Units, the Note Issuer and the Purchase Contract Agent may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Purchase Contract Agent) connected therewith.

Every new Equity-Linked Security issued pursuant to this Section 3.11 in lieu of any destroyed, lost or stolen Equity-Linked Security shall constitute an original additional contractual obligation of the Company and, in the case of any new Units, the Note Issuer and of the Holder in respect of the Unit or Separate Purchase Contract, as the case may be, evidenced thereby, whether or not the destroyed, lost or stolen Equity-Linked Security shall be found at any time. Such new Equity-Linked Security (and the Units or Separate Purchase Contracts, as applicable, evidenced thereby) shall be at any time enforceable by anyone, and shall be entitled to all the benefits and be subject to all the obligations of this Agreement equally and proportionately with any and all other Equity-Linked Securities delivered hereunder.

The provisions of this Section 3.11 are exclusive and shall preclude, to the extent lawful, all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Equity-Linked Securities.

Section 3.12. *Persons Deemed Owners.* Prior to due presentment of an Equity-Linked Security for registration of transfer, the Company and, in the case of Units, the Note Issuer, and the Purchase Contract Agent, and any agent of the Company, the Note Issuer or the Purchase Contract Agent, may treat the Person in whose name such Equity-Linked Security is registered as the owner of the Unit or Purchase Contract, as the case may be, evidenced thereby, for the purpose of performance of the Units or Purchase Contracts, as applicable, evidenced by such Equity-Linked Securities and for all other purposes whatsoever, and none of the Company, the Note Issuer nor the Purchase Contract Agent, nor any agent of the Company, the Note Issuer or the Purchase Contract Agent, shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any Global Unit or Global Purchase Contract, nothing contained herein shall prevent the Company, the Note Issuer, the Purchase Contract Agent or any agent of the Company, the Note Issuer or the Purchase Contract Agent, from giving effect to any written certification, proxy or other authorization furnished by the Depositary (or its nominee), as a Holder, with respect to such Global Unit or Global Purchase Contract or impair, as between such Depositary and the related Beneficial Holder, the operation of customary practices governing the exercise of rights of the Depositary (or its nominee) as Holder of such Global Unit or Global Purchase Contract.

None of the Purchase Contract Agent, Trustee, the Paying Agent and the Security Registrar shall have any responsibility or obligation to any Beneficial Holder in a Global Security, an agent member or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any agent member, with respect to any ownership interest in the Securities or with respect to the delivery to any agent member, Beneficial Holder or other Person (other than the Depositary) of any notice or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities and this Agreement shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of Beneficial Holders in Global Securities shall be exercised only through the Depositary subject to the applicable procedures. The Purchase Contract Agent, the Trustee, the Paying Agent and the Registrar shall be entitled to rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any Beneficial Holders. The Purchase Contract Agent, the Trustee, the Paying Agent and the Security Registrar shall be entitled to deal with the Depositary, and any nominee thereof, that is the registered Holder of any Global Security for all purposes of this Agreement relating to such Global Security (including the payment or delivery of amounts due hereunder and the giving of instructions or directions by or to any Beneficial Holder) as the sole Holder of such Global Security and shall have no obligations to the Beneficial Holders thereof. None of the Purchase Contract Agent, the Trustee, the Paying Agent and the Security Registrar shall have any responsibility or liability for any acts or omissions of the Depositary with respect to such Global Security, for the records of any such Depositary, including records in respect of the Beneficial Holders of any such Global Security, for any transactions between the Depositary and any agent member or between or among the Depositary, any such agent member and/or any Holder or Beneficial Holder of such Global Security, or for any transfers of beneficial interests in any such Global Security.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Purchase Contract Agent, the Trustee, or any agent of the Company, the Purchase Contract Agent or the Trustee

from giving effect to any written certification, proxy or other authorization furnished by any depositary (or its nominee), as a Holder, with respect to such Global Security or shall impair, as between such Depositary and Beneficial Holders of such Global Security, the operation of customary practices governing the exercise of the rights of such depositary (or its nominee) as Holder of such Global Security.

None of the Purchase Contract Agent, the Trustee, the Paying Agent or the Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among participants of DTC, members or Beneficial Holders in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 3.13. Cancellation. All Securities surrendered for separation or recreation and all Equity-Linked Securities surrendered for settlement or upon the registration of transfer or exchange of an Equity-Linked Security shall, if surrendered to any Person other than the Purchase Contract Agent, be delivered to the Purchase Contract Agent and, if not already cancelled, be promptly cancelled by it; *provided, however*, that the Purchase Contract Agent shall deliver any Notes or Separate Notes so surrendered to it to the Trustee and Paying Agent (as defined in the Indenture) for disposition in accordance with the provisions of the Indenture. In the case of a Unit or Units surrendered for settlement, subject to Section 4.08 hereof, the Note Issuer shall promptly execute and the Trustee shall promptly authenticate and deliver in accordance with the terms of the Indenture to the Holder thereof a number of Separate Notes equal to the number of, and in the same form as, the Notes comprising part of the Units so surrendered. The Company may at any time deliver to the Purchase Contract Agent for cancellation any Equity-Linked Securities previously executed, authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Equity-Linked Securities so delivered shall, upon an Issuer Order, be promptly cancelled by the Purchase Contract Agent; *provided, however*, that if the Equity-Linked Securities so delivered are Units, the Purchase Contract Agent shall deliver the Notes comprising such Units to the Trustee and Paying Agent (as defined in the Indenture) for disposition in accordance with the provisions of the Indenture. No Equity-Linked Securities shall be executed, authenticated on behalf of the Holder and delivered in lieu of or in exchange for any Equity-Linked Securities cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Equity-Linked Securities held by the Purchase Contract Agent shall be disposed of in accordance with its customary practices.

If the Company or any Affiliate of the Company shall acquire any Equity-Linked Security, such acquisition shall not operate as a cancellation of such Equity-Linked Security unless and until such Equity-Linked Security is delivered to the Purchase Contract Agent for cancellation, in which case such Equity-Linked Security shall be accompanied by an Issuer Order and cancelled in accordance with the immediately preceding paragraph.

ARTICLE 4

SETTLEMENT OF THE PURCHASE CONTRACTS

Section 4.01. Settlement Rate. (a) Each Purchase Contract obligates the Company to deliver, on the Mandatory Settlement Date, a number of shares of Class A Common Stock (subject to Section 4.10 and Article 5) equal to the Settlement Rate as determined by the Company, unless such Purchase Contract has settled prior to the Mandatory Settlement Date.

(b) The “**Settlement Rate**” is equal to:

(i) if the Applicable Market Value is equal to or greater than the Threshold Appreciation Price, 4.7655 shares of Class A Common Stock for each Purchase Contract (the “**Minimum Settlement Rate**”);

(ii) if the Applicable Market Value is greater than the Reference Price but less than the Threshold Appreciation Price, a number of shares of Class A Common Stock for each Purchase Contract equal to the Stated Amount, *divided by* the Applicable Market Value; and

(iii) if the Applicable Market Value is less than or equal to the Reference Price, 5.8140 shares of Class A Common Stock for each Purchase Contract (the “**Maximum Settlement Rate**”).

(c) The Maximum Settlement Rate, the Minimum Settlement Rate (each, a “**Fixed Settlement Rate**”) and the Reference Price shall be subject to adjustment as provided in Article 5 and rounded upward or downward to the nearest 1/10,000th of a share (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share) or nearest \$0.0001, as the case may be.

(d) The Company shall give notice of the Settlement Rate to the Purchase Contract Agent and Holders no later than two Scheduled Trading Days prior to the Mandatory Settlement Date.

Section 4.02. Representations and Agreements of Holders. Each Holder of an Equity-Linked Security, by its acceptance thereof:

(i) irrevocably authorizes and directs the Purchase Contract Agent to execute and deliver on its behalf and perform this Agreement on its behalf and appoints the Purchase Contract Agent as its attorney-in-fact for any and all such purposes;

(ii) in the case of a Purchase Contract that is a component of a Unit, or that is evidenced by a Global Purchase Contract, irrevocably authorizes and directs the Purchase Contract Agent to execute, deliver and hold on its behalf the Global Purchase Contract or the Component Purchase Contract evidencing such Purchase Contract and appoints the Purchase Contract Agent its attorney-in-fact for any and all such purposes;

(iii) consents to the provisions hereof;

(iv) agrees with the tax treatment provided for in Section 11.07;

(v) agrees to the Section 382 Ownership Blocker and Section 382 Settlement Blocker and represents and warrants to the Company that it is in compliance with the ownership limitations of the Section 382 Ownership Blocker (which representation and warranty is part of the consideration for the issuance of such Equity-Linked Security); and

(vi) agrees to be bound by the terms and provisions thereof.

Section 4.03. Purchase Contract Settlement Fund. On the applicable Settlement Date, the Company shall issue and deliver to the Purchase Contract Agent, for the benefit of the Holders of the Outstanding Purchase Contracts (or, in the case of an Early Settlement, for the benefit of the Holders of Purchase Contracts that have elected such Early Settlement), the aggregate number of shares of Class A Common Stock to which such Holders of the Purchase Contracts to be settled on such Settlement Date are entitled hereunder, registered in the name of the Purchase Contract Agent (or its nominee) as custodian for the Holders (such shares of Class A Common Stock, together with any dividends or distributions for which a record date and payment date for such dividend or distribution have occurred on or after the applicable Determination Date, the "**Purchase Contract Settlement Fund**"). When any shares of Class A Common Stock are required to be delivered to Holders pursuant to this Article 4, the Purchase Contract Agent shall deliver such shares of Class A Common Stock, together with any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund (but without interest thereon) to such Holders, in accordance with the written direction of the Company, and the Company shall cause any such shares to be registered in the name of such Holder or such Holder's designee pursuant to Section 4.11.

Section 4.04. Settlement Conditions. A Holder's right to receive the shares of Class A Common Stock, and any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund, upon settlement of any of its Purchase Contracts is subject to the following conditions:

(a) if such Purchase Contract or the Unit that includes such Purchase Contract is in the form of a Definitive Security, surrendering the relevant Definitive Security to the Purchase Contract Agent at the Corporate Trust Office duly endorsed for transfer to the Company or in blank and with duly completed settlement instructions in the form attached thereto, or if such Purchase Contract is represented by a Global Security, surrendering the relevant Security in compliance with the standing arrangements between the Depository and the Purchase Contract Agent; and

(b) the payment of any transfer or similar taxes payable pursuant to Section 4.11.

Section 4.05. Mandatory Settlement on the Mandatory Settlement Date. On the Mandatory Settlement Date, subject to satisfaction of the conditions set forth in Section 4.04 by a Holder with respect to any of its Purchase Contracts and subject to Section 4.10, the Company shall cause a number of shares of Class A Common Stock per Purchase Contract equal to the Settlement Rate to be issued and delivered, together with payment of (i) any cash payable in lieu of fractional shares pursuant to Section 4.13 and (ii) any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund (but without any interest thereon), to such Holder by book-entry transfer or other appropriate procedures pursuant to Section 4.11. The Person in whose name any shares of Class A Common Stock shall be issuable upon settlement of any Purchase Contract on the Mandatory Settlement Date shall become the holder of record of such shares as of the close of business on the last Trading Day of the 20 Trading Day period during which the Applicable Market Value is determined; *provided* that, if delivery of any shares of Class A Common Stock issuable upon settlement of any Purchase Contracts is delayed as a result of the Section 382 Settlement Blocker, the Person in whose name such shares shall be issuable upon settlement of such Purchase Contracts shall become the holder of record of such shares as of the close of business on the date that (i) such delivery would not result in such Beneficial Holder being an Acquiring Person and (ii) such Beneficial Holder has given notice thereof to the Company.

Section 4.06. Early Settlement. (a) Subject to and upon compliance with the provisions of this Section 4.06, on any Trading Day prior to the close of business on the third Scheduled Trading Day immediately preceding the Scheduled Mandatory Settlement Date, a Holder may elect to settle its Purchase

Contracts early, in whole or in part, at the Early Settlement Rate (“**Early Settlement Right**”).

(b) A Holder’s right to receive Class A Common Stock upon Early Settlement of any of its Purchase Contracts is subject to the following conditions:

(i) delivery of a written and signed notice of election (an “**Early Settlement Notice**”) in the form attached to the Purchase Contract to the Purchase Contract Agent electing Early Settlement of such Purchase Contract;

(ii) satisfaction of the conditions set forth in Section 4.04.

(c) If a Holder complies with the requirements set forth in Section 4.06(b) before the close of business on any Business Day, then that Business Day shall be considered the “**Early Settlement Date**.” If a Holder complies with the requirements set forth in Section 4.06(b) at or after the close of business on any Business Day or at any time on a day that is not a Business Day, then the next Business Day shall be considered the “**Early Settlement Date**.”

(d) Subject to satisfaction of the conditions set forth in Section 4.06(b) by a Holder with respect to any of its Purchase Contracts, subject to Section 4.10, the Company shall cause a number of shares of Class A Common Stock per Purchase Contract equal to the Early Settlement Rate to be issued and delivered, together with payment of (i) any cash payable in lieu of fractional shares pursuant to Section 4.13 and (ii) any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund (but without any interest thereon), to such Holder by book-entry transfer or other appropriate procedures pursuant to Section 4.11 on the third Business Day following the Early Settlement Date. The Person in whose name any shares of the Class A Common Stock shall be issuable upon such Early Settlement of a Purchase Contract shall become the holder of record of such shares as of the close of business on the relevant Early Settlement Date; *provided* that, if delivery of any shares of Class A Common Stock issuable upon settlement of any Purchase Contracts is delayed as a result of the Section 382 Settlement Blocker, the Person in whose name such shares shall be issuable upon settlement of such Purchase Contracts shall become the holder of record of such shares as of the close of business on the date that (i) such delivery would not result in such Beneficial Holder being an Acquiring Person and (ii) such Beneficial Holder has given notice thereof to the Company.

(e) In the event that Early Settlement is effected with respect to Purchase Contracts that are a component of Units, upon such Early Settlement, the Company shall execute and the Trustee shall authenticate (pursuant to the Indenture) on behalf of the Holder and deliver to the Holder thereof, at the expense of the Company, Separate Notes, in same form as the Notes comprising

part of the Units, equal to the number of Purchase Contracts as to which Early Settlement was effected.

(f) In the event that Early Settlement is effected with respect to Purchase Contracts represented by less than all the Purchase Contracts evidenced by a Security, upon such Early Settlement, the Company shall execute and the Purchase Contract Agent and Trustee shall authenticate on behalf of the Holder and deliver to the Holder thereof, at the expense of the Company, a Security evidencing the Purchase Contracts as to which Early Settlement was not effected.

(g) Upon receipt of any Early Settlement Notice pursuant to Section 4.06(b), the Purchase Contract Agent shall promptly deliver a copy of such Early Settlement Notice to the Company and Note Issuer.

Section 4.07. Early Settlement Upon a Fundamental Change. (a) If a Fundamental Change occurs and a Holder exercises the option to effect Early Settlement in respect of its Purchase Contracts in connection with such Fundamental Change in accordance with the procedures set forth in Section 4.06, such Holder shall receive a number of shares of Class A Common Stock (or cash, securities or other property, as applicable) for each such Purchase Contract equal to the Fundamental Change Early Settlement Rate on the date such Fundamental Change Early Settlement Right is exercised (the “**Fundamental Change Early Settlement Right**”). An Early Settlement shall be deemed for these purposes to be “in connection with” such Fundamental Change if the Holder delivers an Early Settlement Notice to the Purchase Contract Agent, and otherwise satisfies the requirements for effecting Early Settlement of its Purchase Contracts set forth in Section 4.06 hereof, during the period beginning on, and including, the Effective Date of the Fundamental Change and ending at the close of business on the 30th Business Day thereafter (or, if earlier, the third Scheduled Trading Day immediately preceding the Scheduled Mandatory Settlement Date) (the “**Fundamental Change Early Settlement Period**”).

(b) If a Holder complies with the requirements set forth in Section 4.07(a) to exercise the Fundamental Change Early Settlement Right before the close of business on any Business Day during the Fundamental Change Early Settlement Period, then that Business Day shall be considered the “**Fundamental Change Early Settlement Date.**” If a Holder complies with the requirements set forth in set forth in Section 4.07(a) to exercise the Fundamental Change Early Settlement Right at or after the close of business on any Business Day during the Fundamental Change Early Settlement Period or at any time on a day during the Fundamental Change Early Settlement Period that is not a Business Day, then the next Business Day shall be considered the “**Fundamental Change Early Settlement Date.**”

(c) The Company shall provide the Purchase Contract Agent and the Holders of Units and Separate Purchase Contracts with a notice of a Fundamental Change within five Business Days after its occurrence, issue a press release announcing the Effective Date and post such press release on its website. The notice shall set forth, among other things, (i) the applicable Fundamental Change Early Settlement Rate, (ii) if not Class A Common Stock, the kind and amount of cash, securities and other property receivable by the Holder upon settlement and (iii) the deadline by which each Holder's Fundamental Change Early Settlement Right must be exercised.

(d) The "**Fundamental Change Early Settlement Rate**" shall be determined by the Company by reference to the table below, based on the date on which the Fundamental Change occurs or becomes effective (the "**Effective Date**") and the stock price (the "**Stock Price**") in the Fundamental Change, which shall be:

(i) in the case of a Fundamental Change described in clause (b) of the definition thereof in which holders of shares of Class A Common Stock receive only cash in the Fundamental Change, the Stock Price shall be the cash amount paid per share of Class A Common Stock; and

(ii) in all other cases, the Stock Price shall be the average of the Closing Prices of the Class A Common Stock over the 10 consecutive Trading Day period ending on the Trading Day immediately preceding the Effective Date.

(e) The Stock Prices set forth in the first column of the table below shall be adjusted as of any date on which any Fixed Settlement Rate is otherwise adjusted. The adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment, *multiplied* by a fraction, the numerator of which is the Maximum Settlement Rate immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Maximum Settlement Rate as so adjusted. The number of shares in the table below shall be adjusted in the same manner as the Fixed Settlement Rates as set forth in Section 5.01.

(f) The following table sets forth the Fundamental Change Early Settlement Rate per Purchase Contract for each Stock Price and Effective Date set forth below:

Stock Price	Effective Date			
	February 9, 2011	February 15, 2012	February 15, 2013	February 15, 2014
\$1.00	5.4963	5.6701	5.7660	5.8140
\$2.00	5.1312	5.3749	5.6578	5.8140
\$3.00	4.9097	5.1021	5.3896	5.8140
\$4.00	4.7882	4.9243	5.1226	5.8140
\$4.30	4.7614	4.8866	5.0585	5.8140
\$4.50	4.7499	4.8647	5.0204	5.5556
\$4.75	4.7346	4.8405	4.9778	5.2632
\$5.00	4.7214	4.8194	4.9405	5.0000
\$5.25	4.7099	4.8011	4.9081	4.7655
\$6.00	4.6838	4.7592	4.8353	4.7655
\$7.00	4.6622	4.7245	4.7791	4.7655
\$8.00	4.6495	4.7044	4.7500	4.7655
\$9.00	4.6420	4.6925	4.7351	4.7655
\$10.00	4.6375	4.6855	4.7275	4.7655
\$12.50	4.6332	4.6779	4.7209	4.7655
\$15.00	4.6330	4.6760	4.7195	4.7655
\$17.50	4.6343	4.6759	4.7191	4.7655
\$20.00	4.6363	4.6766	4.7190	4.7655
\$22.50	4.6386	4.6776	4.7189	4.7655
\$25.00	4.6412	4.6789	4.7188	4.7655

The exact Stock Prices and Effective Dates may not be set forth in the table above, in which case:

(i) if the applicable Stock Price is between two Stock Prices in the table or the Effective Date is between two Effective Dates in the table, the Fundamental Change Early Settlement Rate shall be determined by a straight-line interpolation between the Fundamental Change Early Settlement Rates set forth for the higher and lower Stock Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the applicable Stock Price is greater than \$25.00 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above), the Fundamental Change Early Settlement Rate shall be the Minimum Settlement Rate; or

(iii) if the applicable Stock Price is less than \$1.00 per share (subject to adjustment in the same manner as the Stock Prices set forth in

the column headings of the table above, the “**Minimum Stock Price**”) the Fundamental Change Early Settlement Rate shall be determined as if the Stock Price equaled the Minimum Stock Price, and using straight-line interpolation, as described in clause (i) of this Section 4.07(f), if the Effective Date is between two Effective Dates in the table.

The maximum number of shares of Class A Common Stock deliverable under a Purchase Contract is 5.8140, subject to adjustment in the same manner as the Fixed Settlement Rates as set forth under Section 5.01.

(g) If a Holder exercises its Fundamental Change Early Settlement Right following the Effective Date of a Fundamental Change described in clause (b) of the definition of “Fundamental Change,” the Company shall deliver to such Holder or the Purchase Contract Agent on behalf of such Holder, in accordance with the provisions of Section 5.02, the kind and amount of securities, cash or other property that such Holder would have been entitled to receive in such Fundamental Change transaction as a holder of a number of shares of the Class A Common Stock equal to the Fundamental Change Settlement Rate for each Purchase Contract being settled early.

(h) Subject to satisfaction of the conditions set forth in Section 4.06(b) by a Holder with respect to any of its Purchase Contracts and subject to Section 4.10, the Company shall cause to be delivered a number of shares of Class A Common Stock, or securities, cash or other property, as applicable, payable as a result of such Holder’s exercise of the Fundamental Change Early Settlement Right in accordance with the provisions set forth in Section 4.06(d), except that (i) such delivery shall be made on the third Business Day following the Fundamental Change Early Settlement Date, and (ii) the Person in whose name any shares of Class A Common Stock or other securities, if applicable, shall be issuable following exercise of a Holder’s Fundamental Change Early Settlement Right shall become the holder of record of such shares or other securities, if applicable, as of the close of business on the date such right is exercised; *provided* that, if delivery of any shares of Class A Common Stock issuable upon settlement of any Purchase Contracts is delayed as a result of the Section 382 Settlement Blocker, the Person in whose name such shares shall be issuable upon settlement of such Purchase Contracts shall become the holder of record of such shares as of the close of business on the date that (i) such delivery would not result in such Beneficial Holder being an Acquiring Person and (ii) such Beneficial Holder has given notice thereof to the Company.

(i) If a Holder exercises its Fundamental Change Early Settlement Right with respect to Purchase Contracts that are a component of Units, upon such Early Settlement in connection with a Fundamental Change, the Company shall execute and the Trustee shall authenticate (pursuant to the Indenture) on behalf of

the Holder and deliver to the Holder thereof, at the expense of the Company, Separate Notes, in same form as the Notes comprising part of the Units, equal to the number of Purchase Contracts as to which Early Settlement in connection with a Fundamental Change was effected.

(j) If a Holder exercises its Fundamental Change Early Settlement Right with respect to Purchase Contracts represented by less than all the Purchase Contracts evidenced by a Security, upon such Early Settlement in connection with a Fundamental Change, the Company shall execute and the Purchase Contract Agent and Trustee shall authenticate on behalf of the Holder and deliver to the Holder thereof, at the expense of the Company, a Security evidencing the Purchase Contracts as to which Early Settlement in connection with a Fundamental Change was not effected.

(k) If a Holder does not elect to exercise the Fundamental Change Early Settlement Right, such Holder's Purchase Contracts shall remain outstanding and shall be subject to normal settlement on any subsequent Settlement Date, including, if applicable, the provisions set forth in Section 5.01.

Section 4.08. Early Mandatory Settlement at the Company's Election. (a) The Company has the right to settle the Purchase Contracts early, in whole but not in part (the "**Early Mandatory Settlement Right**"), on a date fixed by it (the "**Early Mandatory Settlement Date**") at the Early Mandatory Settlement Rate on the Early Mandatory Settlement Notice Date.

(b) If the Company elects to exercise its Early Mandatory Settlement Right, the Company shall provide the Purchase Contract Agent and the Holders of Units, Separate Purchase Contracts and Separate Notes with a notice of its election (the "**Early Mandatory Settlement Notice**"), issue a press release announcing its election and post such press release on its website. The Early Mandatory Settlement Notice shall specify, among other things:

(i) the Early Mandatory Settlement Rate;

(ii) the Early Mandatory Settlement Date, which will be at least 5 but not more than 30 Business Days following the date of the Early Mandatory Settlement Notice (the "**Early Mandatory Settlement Notice Date**");

(iii) that Holders of Units and Separate Notes will have the right to require the Company to repurchase their Notes that are a component of the Units or their Separate Notes, as the case may be, pursuant to and in accordance with the Indenture (subject to certain exceptions as provided in the Indenture);

(iv) the Repurchase Price and Repurchase Date;

(v) the last date on which Holders may exercise their Repurchase Right; and

(vi) the procedures that Holders must follow to require the Company to repurchase their Notes (which procedures shall be in accordance with the Indenture).

(c) On the Early Mandatory Settlement Date, subject to satisfaction of the conditions set forth in Section 4.04 by a Holder with respect to any of its Purchase Contracts and subject to Section 4.10, the Company shall cause a number of shares of Class A Common Stock per Purchase Contract equal to the Early Mandatory Settlement Rate to be issued and delivered, together with payment of (i) any cash payable in lieu of fractional shares pursuant to Section 4.13 and (ii) any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund (but without any interest thereon), to such Holder by book-entry transfer or other appropriate procedures pursuant to Section 4.11. The Person in whose name any shares of the Class A Common Stock shall be issuable following exercise of the Early Mandatory Settlement Right shall become the holder of record of such shares as of the close of business on the Early Mandatory Settlement Notice Date; *provided* that, if delivery of any shares of Class A Common Stock issuable upon settlement of any Purchase Contracts is delayed as a result of the Section 382 Settlement Blocker, the Person in whose name such shares shall be issuable upon settlement of such Purchase Contracts shall become the holder of record of such shares as of the close of business on the date that (i) such delivery would not result in such Beneficial Holder being an Acquiring Person and (ii) such Beneficial Holder has given notice thereof to the Company.

(d) In the event that Early Mandatory Settlement is effected with respect to Purchase Contracts that are a component of Units, upon such Early Mandatory Settlement the Company shall execute and the Trustee shall authenticate (pursuant to the Indenture) on behalf of the Holder and deliver to the Holder thereof, at the expense of the Company, Separate Notes in the same form and in the same number as the Notes comprising part of the Units; *provided, however*, that if the Repurchase Date occurs prior to the Early Mandatory Settlement Date, Holders will surrender the Units on the Repurchase Date and the Company shall execute, and the Purchase Contract Agent shall authenticate, Separate Purchase Contracts in the same form and in the same number as the Purchase Contracts comprising part of the Units, such Separate Purchase Contracts to be settled on the Early Mandatory Settlement Date.

Section 4.09. Acceleration of Mandatory Settlement Date. If a Bankruptcy Event occurs at any time on or before the last Trading Day of the 20 Trading Day period during which the Applicable Market Value is determined (the day on which such Bankruptcy Event occurs, the “**Acceleration Date**”), the Mandatory Settlement Date shall automatically be accelerated to the Business Day immediately following the Acceleration Date and, subject to Section 4.10, Holders of Purchase Contracts shall be entitled to receive, upon settlement of the Purchase Contracts on such accelerated Mandatory Settlement Date, a number of shares of Class A Common Stock per Purchase Contract equal to the Maximum Settlement Rate in effect immediately prior to the Acceleration Date (regardless of the Applicable Market Value of the Class A Common Stock at that time). The Company shall, subject Section 4.10, cause to be delivered the shares of Class A Common Stock, securities, cash or other property deliverable as a result of any such acceleration of the Mandatory Settlement Date in accordance with the provisions set forth in Section 4.05, except that (i) such delivery shall be made on the accelerated Mandatory Settlement Date, and (ii) the Person in whose name any shares of Class A common stock shall be issuable following such acceleration shall become the holder of record of such shares as of the close of business on the Acceleration Date; *provided* that, if delivery of any shares of Class A Common Stock issuable upon settlement of any Purchase Contracts is delayed as a result of the Section 382 Settlement Blocker, the Person in whose name such shares shall be issuable upon settlement of such Purchase Contracts shall become the holder of record of such shares as of the close of business on the date that (i) such delivery would not result in such Beneficial Holder being an Acquiring Person and (ii) such Beneficial Holder has given notice thereof to the Company.

Section 4.10. Section 382 Settlement Blocker. (a) Notwithstanding anything to the contrary in this Agreement, no Beneficial Holder of Units or Separate Purchase Contracts shall be entitled to receive shares of Class A Common Stock upon settlement of the Purchase Contracts, whether on any Settlement Date or otherwise, and any delivery of shares of Class A Common Stock upon settlement of such Purchase Contracts shall be void and of no effect, to the extent (but only to the extent) that such receipt or delivery would cause such Beneficial Holder to become an Acquiring Person, unless such Beneficial Holder has received prior approval of the Board of Directors (the “**Section 382 Settlement Blocker**”). If any delivery of shares of Class A Common Stock owed to a Beneficial Holder upon settlement of any Purchase Contracts is not made, in whole or in part, as a result of the Section 382 Settlement Blocker, the Company’s obligation to make such delivery shall not be extinguished and the Company shall deliver, or cause to be delivered, such shares as promptly as practicable after such delivery would not result in such Beneficial Holder being an Acquiring Person and such Beneficial Holder gives notice thereof to the Company.

(b) The Board of Directors may, in its discretion, approve delivery of any shares of Class A Common Stock that would otherwise be restricted by the Section 382 Settlement Blocker.

(c) If the Section 382 Settlement Blocker is applicable to any delivery of shares of Class A Common Stock upon settlement of any Purchase Contract, the Company shall promptly deliver written notice thereof to the Purchase Contract Agent. The Purchase Contract Agent shall not be charged with knowledge that any such settlement of any Purchase Contract is subject to the Section 382 Settlement Blocker unless either (i) a Responsible Officer of the Purchase Contract Agent shall have actual knowledge thereof or (ii) written notice thereof has been provided to the Purchase Contract Agent by the Company. The Purchase Contract Agent may, for purposes of this Agreement, conclusively rely on any such notice from the Company in accordance with the provisions of Section 8.01(b)(ii).

Section 4.11. Registration of Underlying Shares and Transfer Taxes. The shares of Class A Common Stock underlying the Purchase Contracts shall be registered in the name of the Holder or the Holder's designee as specified in the settlement instructions provided by the Holder to the Purchase Contract Agent, and the Company will pay all documentary, stamp or similar issue or transfer taxes attributable to the delivery thereof, unless any such tax is payable in respect of any registration of such shares in a name of a Person other than the Person in whose name the Security evidencing such Purchase Contract is registered, in which case the Company shall not be required to pay any such tax and no such registration shall be made unless the Person requesting such registration has paid any such taxes required by reason of such registration in a name of a Person other than the Person in whose name the Security evidencing such Purchase Contract is registered or has established to the satisfaction of the Company that such tax either has been paid or is not payable.

Section 4.12. Return of Purchase Contract Settlement Fund. In the event a Holder fails to effect surrender or delivery of its Units or Purchase Contracts on or following the applicable Settlement Date in accordance with the provisions hereof, the shares of Class A Common Stock underlying such Purchase Contracts, and any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund, shall be held in the name of the Purchase Contract Agent or its nominee in trust for the benefit of such Holder, until the earlier to occur of:

(i) the surrender of the relevant Units or Separate Purchase Contracts for settlement in accordance with the provisions hereof or receipt by the Company and the Purchase Contract Agent from such Holder of satisfactory evidence that such Units or Separate Purchase

Contracts have been destroyed, lost or stolen, together with any indemnity that may be required by the Purchase Contract Agent and the Company; and

(ii) the passage of two years from the applicable Settlement Date, as the case may be, following which the Purchase Contract Agent shall pay to the Company such Holder's share of such Class A Common Stock and any and any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund; *provided, however*, that prior to receiving any such payment, the Company shall mail to each such Holder notice that such property remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such property then remaining will be repaid to the Company. After payment to the Company, (A) Holders entitled to such property must look to the Company for payment as general creditors, unless applicable abandoned property law designates another Person, and (B) all liability of the Purchase Contract Agent with respect to such property shall cease.

Section 4.13. No Fractional Shares. No fractional shares or scrip certificates representing fractional shares of Class A Common Stock shall be issued or delivered to Holders upon settlement of the Purchase Contracts. In lieu of any fractional shares of Class A Common Stock that would otherwise be issuable upon settlement of any Purchase Contracts, a Holder of a Purchase Contract shall be entitled to receive an amount in cash equal to the fraction of a share of Class A Common Stock, calculated on an aggregate basis in respect of the Purchase Contracts being settled, *multiplied by* the Closing Price of the Class A Common Stock on the Trading Day immediately preceding the applicable Settlement Date. The Company shall provide the Purchase Contract Agent with sufficient funds to permit the Purchase Contract Agent to make all cash payments required by this Section 4.13 in a timely manner.

ARTICLE 5

ADJUSTMENTS

Section 5.01. Adjustments to the Fixed Settlement Rates. (a) Each Fixed Settlement Rate shall be subject to the following adjustments, without duplication:

(i) *Stock Dividends and Distributions.* If the Company issues Class A Common Stock to all or substantially all of the holders of Class A Common Stock as a dividend or other distribution, each Fixed Settlement Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution shall be *divided by* a fraction:

(A) the numerator of which is the number of shares of Class A Common Stock outstanding immediately prior to the close of business on such Record Date, and

(B) the denominator of which is equal to (i) the number of shares of Class A Common Stock outstanding immediately prior to the close of business on such Record Date, *plus* (ii) the total number of shares of Class A Common Stock constituting such dividend or other distribution.

Any adjustment made pursuant to this clause (i) will become effective immediately after the close of business on the Record Date for such dividend or distribution. If any dividend or distribution described in this clause (i) is declared but not so paid or made, each Fixed Settlement Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to make such dividend or distribution, to such Fixed Settlement Rate that would be in effect if such dividend or distribution had not been declared. For the purposes of this clause (i), the number of shares of Class A Common Stock outstanding immediately prior to the close of business on the Record Date for such dividend or other distribution shall not include shares held in treasury by the Company but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of Class A Common Stock. The Company shall not pay any dividend or make any distribution on shares of Class A Common Stock held in treasury by the Company.

(ii) *Issuance of Stock Purchase Rights*. If the Company issues to all or substantially all holders of Class A Common Stock rights, options or warrants (other than rights, options or warrants issued pursuant to a dividend reinvestment plan, shareholder rights plan or share purchase plan or other similar plans), entitling such holders, for a period of up to 45 calendar days from the date of issuance of such rights, options or warrants, to subscribe for or purchase shares of Class A Common Stock at a price per share less than the Current Market Price per share of Class A Common Stock, each Fixed Settlement Rate in effect immediately prior to the close of business on the Record Date for such issuance shall be *multiplied* by a fraction:

(A) the numerator of which is equal to (i) the number of shares of Class A Common Stock outstanding immediately prior to the close of business on such Record Date, *plus* (ii) the number of shares of Class A Common Stock issuable pursuant to such rights, options or warrants, and

(B) the denominator of which is equal to (i) the number of shares of Class A Common Stock outstanding immediately prior to the close of business on such Record Date, *plus* (ii) the number of shares of Class A Common Stock equal to the quotient of the aggregate price payable to exercise such rights, options or warrants *divided* by the Current Market Price per share of Class A Common Stock.

Any adjustment made pursuant to this clause (ii) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for such issuance. In the event that such rights, options or warrants described in this clause (ii) are not so issued, each Fixed Settlement Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to issue such rights, options or warrants, to such Fixed Settlement Rate that would then be in effect if such issuance had not been declared. To the extent that such rights, options or warrants are not exercised prior to their expiration or shares of Class A Common Stock are otherwise not delivered pursuant to such rights, options or warrants upon the exercise of such rights, options or warrants, each Fixed Settlement Rate shall be readjusted, effective as of the date of such expiration or the date of such exercise, as the case may be, to such Fixed Settlement Rate that would then be in effect had the adjustment made upon the issuance of such rights, options or warrants been made on the basis of the delivery of only the number of shares of Class A Common Stock actually delivered.

In determining whether any rights, options or warrants entitle the Holders thereof to subscribe for or purchase shares of Class A Common Stock at less than the Current Market Price per share of Class A Common Stock, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof (the value of such consideration, if other than cash, to be determined by the Board of Directors).

For the purposes of this clause (ii), the number of shares of Class A Common Stock at the time outstanding shall not include shares held in treasury by the Company but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of Class A Common Stock. The Company shall not issue any such rights, options or warrants in respect of shares of Class A Common Stock held in treasury by the Company.

(iii) *Subdivisions and Combinations of the Class A Common Stock.* If outstanding shares of Class A Common Stock shall be subdivided into a greater number of shares of Class A Common Stock or combined into a lesser number of shares of Class A Common Stock, each Fixed Settlement Rate in effect immediately prior to the open of business on the effective date of such subdivision or combination shall be *multiplied* by a fraction:

(A) the numerator of which is the number of shares of Class A Common Stock that would be outstanding immediately after, and solely as a result of, such subdivision or combination, and

(B) the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to the open of business, on such effective date.

Any adjustment made pursuant to this clause (iii) shall become effective immediately after the open of business on the effective date of such subdivision or combination.

(iv) *Debt or Asset Distribution.* (A) If the Company distributes to all or substantially all holders of Class A Common Stock evidences of its indebtedness, shares of Capital Stock (other than Class A Common Stock), securities, cash or other assets (excluding (1) any dividend or distribution covered by Section 5.01(a)(i), (2) any rights, options or warrants covered by Section 5.01(a)(ii), (3) any dividend or distribution covered by Section 5.01(a)(v) and (4) any Spin-Off as to which the provisions set forth in Section 5.01(a)(iv)(B) apply), each Fixed Settlement Rate in effect immediately prior to the close of business on the Record Date for such distribution shall be *multiplied* by a fraction:

(1) the numerator of which is the Current Market Price per share of Class A Common Stock, and

(2) the denominator of which is equal to (i) Current Market Price per share of Class A Common Stock, *minus* (ii) the Fair Market Value on such Record Date of the portion of the evidences of indebtedness, shares of Capital Stock, securities, cash or other assets so distributed applicable to one share of Class A Common Stock.

Any adjustment made pursuant to subparagraph (A) of this clause (iv) shall become effective immediately after the close of

business on the Record Date for such distribution. In the event that such distribution described in subparagraph (A) of this clause (iv) is not so made, each Fixed Settlement Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such dividend or distribution, to such Fixed Settlement Rate that would then be in effect if such distribution had not been declared.

(B) If a Spin-Off occurs, each Fixed Settlement Rate in effect immediately prior to the close of business on the Record Date for the relevant distribution shall instead be *multiplied* by a fraction:

(1) the numerator of which is equal to (i) the Current Market Price per share of Class A Common Stock, *plus* (ii) the average of the Closing Prices of Capital Stock or similar equity interests so distributed applicable to one share of Class A Common Stock (determined by reference to the definition of Closing Price as if references therein to Class A Common Stock were to such Capital Stock or similar equity interest) over the 10 consecutive Trading Day period commencing on, and including, the effective date of the Spin-Off (the “**Valuation Period**”).

(2) the denominator of which is the Current Market Price per share of Class A Common Stock.

Any adjustment made pursuant to subparagraph (B) of this clause (iv) shall become effective immediately after the close of business on the last Trading Day of the Valuation Period; *provided* that, if any Determination Date occurs during the Valuation Period, references immediately above to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed between the effective date of such Spin-Off and such Determination Date for purposes of determining the Fixed Settlement Rates on such Determination Date. In the event that such distribution described in subparagraph (B) of this clause (iv) is not so made, each Fixed Settlement Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to such Fixed Settlement Rate that would then be in effect if such distribution had not been declared.

(v) *Cash Distributions*. If the Company distributes an amount exclusively in cash to all or substantially all holders of Class A Common Stock (excluding (1) any cash that is distributed in a Reorganization Event to which Section 5.02 applies or (2) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company), each Fixed Settlement Rate in effect immediately prior to the close of business on the Record Date for such distribution shall be *multiplied* by a fraction:

(A) the numerator of which is the Current Market Price per share of Class A Common Stock, and

(B) the denominator of which is equal to (i) the Current Market Price per share of Class A Common Stock, *minus* (ii) the amount of such distribution per share of Class A Common Stock.

Any adjustment made pursuant to this clause (v) shall become effective immediately after the close of business on the Record Date for such distribution. In the event that any distribution described in this clause (v) is not so made, each Fixed Settlement Rate shall be readjusted, effective as of the date the Board of Directors publicly announces its decision not to pay such distribution, to such Fixed Settlement Rate which would then be in effect if such distribution had not been declared.

(vi) *Self Tender Offers and Exchange Offers*. If the Company or any Subsidiary of the Company successfully completes a tender or exchange offer pursuant to a Schedule TO or registration statement on Form S-4 for the Class A Common Stock (excluding any securities convertible or exchangeable for Class A Common Stock), where the cash and the value of any other consideration included in the payment per share of Class A Common Stock validly tendered or exchanged exceeds the Current Market Price per share of Class A Common Stock, each Fixed Settlement Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day immediately following the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the “**Tender Offer Expiration Date**”) shall be *multiplied* by a fraction:

(A) the numerator of which shall be equal to the sum of:

(1) the aggregate value of all cash and the Fair Market Value on the Tender Offer Expiration Date of any other consideration paid or payable for shares of Class A

Common Stock validly tendered or exchanged and not withdrawn as of the Tender Offer Expiration Date; and

(2) the product of (x) the Current Market Price per share of Class A Common Stock, and (y) the number of shares of Class A Common Stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the “**Tender Offer Expiration Time**”), after giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer; and

(B) the denominator of which shall be equal to the product of (x) the Current Market Price per share of Class A Common Stock, and (y) the number of shares of Class A Common Stock outstanding immediately prior to the Tender Offer Expiration Time on the Tender Offer Expiration Date, prior to giving effect to the purchase of all shares accepted for purchase or exchange in such tender or exchange offer.

Any adjustment made pursuant to this clause (vi) shall become effective immediately after the close of business on the 10th Trading Day immediately following the Tender Offer Expiration Date; *provided* that, if any Determination Date occurs during the 10 Trading Days immediately following, and including, the Trading Day next succeeding the Tender Offer Expiration Date, references immediately above to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed between such Tender Offer Expiration Date and such Determination Date for the purposes of determining the Fixed Settlement Rates on such Determination Date. In the event that the Company or one of its Subsidiaries is obligated to purchase shares of Class A Common Stock pursuant to any such tender or exchange offer, but the Company or such Subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then each Fixed Settlement Rate shall be readjusted to such Fixed Settlement Rate that would then be in effect if such tender or exchange offer had not been made.

(b) *Rights to Certain Distributions*. Except with respect to a Spin-Off, in cases where the Fair Market Value of assets (including cash), debt securities or certain rights, warrants or options to purchase securities of the Company as to which Section 5.01(a)(iv) or Section 5.01(a)(v) apply, applicable to one share of Class A Common Stock, distributed to holders of Class A Common Stock equals or exceeds the applicable Current Market Price per share of the Class A Common

Stock, rather than being entitled to an adjustment in each Fixed Settlement Rate, Holders shall be entitled to receive (without settling such Holders' Purchase Contracts) on the date on which such assets (including cash), debt securities or rights, options or warrants are distributed to holders of Class A Common Stock, for each Purchase Contract, the amount of such assets or securities that such Holder would have received had such Holder owned a number of shares of Class A Common Stock equal to the Maximum Settlement Rate on the Record Date for such distribution.

(c) *Rights Plans.* To the extent that the Company has a rights plan in effect with respect to the Class A Common Stock on any Determination Date, Holders shall receive, in addition to the Class A Common Stock, the rights under such rights plan, unless, prior to such Determination Date, the rights have separated from the Class A Common Stock, in which case each Fixed Settlement Rate shall be adjusted at the time of separation of such rights as if the Company made a distribution to all holders of the Class A Common Stock as described in Section 5.01(a)(iv), subject to readjustment in the event of the expiration, termination or redemption of such rights.

(d) *Adjustment for Tax Reasons.* The Company may make such increases in each Fixed Settlement Rate, in addition to any other increases required by this Article 5, as the Company deems advisable to avoid or diminish any income tax to holders of the Class A Common Stock resulting from any dividend or distribution of shares of Class A Common Stock (or issuance of rights, options or warrants to acquire shares of Class A Common Stock) or from any event treated as such for income tax purposes or for any other reasons; *provided* that the same proportionate adjustment must be made to each Fixed Settlement Rate.

(e) *Calculation of Adjustments.* All adjustments to each Fixed Settlement Rate shall be calculated to the nearest 1/10,000th of a share of Class A Common Stock. No adjustment in a Fixed Settlement Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein. If any adjustment is not required to be made by reason of this Section 5.01(e), then such adjustment shall be carried forward and taken into account in any subsequent adjustment; *provided* that on each Determination Date, adjustments to each Fixed Settlement Rate shall be made with respect to any such adjustment carried forward and which has not been taken into account before such Determination Date.

(f) *Adjustments to Reference Price and Applicable Market Value.* Upon each adjustment to each Fixed Settlement Rates pursuant to Section 5.01, an inversely proportional adjustment shall also be made to the Reference Price solely for purposes of determining which of clauses (i), (ii) and (iii) of Section 4.01(b)

shall be applicable with respect to the Mandatory Settlement Date. Such adjustment shall be made by dividing the Reference Price by a fraction, the numerator of which shall be the Minimum Settlement Rate immediately after such adjustment pursuant to Section 5.01 and the denominator of which shall be such Minimum Settlement Rate immediately before such adjustment. For the avoidance of doubt, no separate inversely proportional adjustment shall be made to the Threshold Appreciation Price because it is equal to the Stated Amount *divided by* the Minimum Settlement Rate (such quotient rounded to the nearest \$0.0001). The Company shall make appropriate adjustments to the Closing Prices prior to the relevant issuance date, Record Date, Ex-Date, effective date or Tender Offer Expiration Date, as the case may be, used to calculate the Applicable Market Value to account for any adjustments to the Fixed Settlement Rates and the Reference Price that become effective during (i) the 20 consecutive Trading Day period used for calculating the Applicable Market Value, and (ii) any period during which the Stock Price is calculated for purposes of determining the Fundamental Change Early Settlement Rate.

(g) *Limitation on Adjustments.* No adjustment to the Fixed Settlement Rates shall be made if Holders of Units or any separate Purchase Contracts may participate in the transaction (at a level based on the Maximum Settlement Rate) that would otherwise give rise to an adjustment at the same time and on the same terms as holders of the Class A Common Stock without having to settle the Purchase Contracts. In addition, the Fixed Settlement Rates shall only be adjusted as set forth above and shall not be adjusted:

- (A) upon the issuance of any shares of Class A Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Class A Common Stock under any plan;
- (B) upon the issuance of any shares of Class A Common Stock or rights, options or warrants to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its subsidiaries;
- (C) upon the issuance of any shares of Class A Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the Issue Date; or
- (D) for a change in the par value or no par value of the Class A Common Stock.

(h) *Notice of Adjustment.* Whenever the Fixed Settlement Rates are adjusted, the Company shall:

(i) prepare and transmit to the Purchase Contract Agent an Officers' Certificate setting forth such adjusted Fixed Settlement Rates and/or the adjusted Fundamental Change Settlement Rates, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based;

(ii) within five Business Days following the occurrence of an event that requires an adjustment to the Fixed Settlement Rates and/or the Fundamental Change Settlement Rates (or if the Company is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and

(iii) within five Business Days following the determination of such adjusted Fixed Settlement Rates and/or Fundamental Change Settlement Rates provide, or cause to be provided, to the Holders a statement setting forth in reasonable detail the method by which the adjustment to such Fixed Settlement Rates and/or the Fundamental Change Settlement Rates was determined and setting forth such adjusted Fixed Settlement Rates and/or Fundamental Change Settlement Rates and the facts requiring such adjustment and upon which such adjustment is based.

Section 5.02. Reorganization Events. (a) In the event of:

(i) any consolidation or merger of the Company with or into another Person (other than a merger or consolidation in which the Company is the continuing or surviving corporation and in which the Class A Common Stock outstanding immediately prior to the merger or consolidation is not exchanged for cash, securities or other property of the Company or another Person);

(ii) any sale, transfer, lease or conveyance to another Person of all or substantially all of the property and assets of the Company;

(iii) any reclassification of Class A Common Stock into securities including securities other than Class A Common Stock; or

(iv) any statutory exchange of securities of the Company with another Person (other than in connection with a merger or acquisition),

in each case, as a result of which the Class A Common Stock would be converted into, or exchanged for, securities, cash or property (each, a “**Reorganization Event**”), each Purchase Contract outstanding immediately prior to such Reorganization Event shall, without the consent of Holders, become a contract to purchase the kind of securities, cash and other property (the “**Exchange Property**”) that a holder of Class A Common Stock would have been entitled to receive immediately prior to such Reorganization Event and, prior to or at the effective time of such Reorganization Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Note Issuer, the Purchase Contract Agent and the Trustee a supplemental agreement permitted under Section 9.01(iv) providing for such change in the right to settle the Purchase Contracts. For purposes of the foregoing, the type and amount of Exchange Property in the case of any Reorganization Event that causes the Class A Common Stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Class A Common Stock that affirmatively make such an election. The Company shall notify the Purchase Contract Agent in writing of such weighted average as soon as practicable after such determination is made. The number of units of Exchange Property for each Purchase Contract settled following the effective date of such Reorganization Event shall be determined based on the Fixed Settlement Rate then in effect on the applicable Determination Date (without any interest thereon and without any right to dividends or distributions thereon which have a record date that is prior to the Determination Date). Each Fixed Settlement Rate shall be determined based upon the Applicable Market Value of a unit of Exchange Property that a holder of one share of Class A Common Stock would have received in such Reorganization Event.

For purposes of this Section 5.02(a), “**Applicable Market Value**” shall be deemed to refer to the Applicable Market Value of the Exchange Property and such value shall be determined (A) with respect to any publicly traded securities that comprises all or part of the Exchange Property, based on the Closing Price of such securities, (B) in the case of any cash that comprises all or part of the Exchange Property, based on the amount of such cash and (C) in the case of any other property that comprises all or part of the Exchange Property, based on the value of such property, as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose. For purposes of this Section 5.02(a), the term “**Closing Price**” shall be determined by reference to the definition of Closing Price as if references therein to Class A Common Stock were to such publicly traded securities that comprise all or part of the Exchange Property. For purposes of this Section 5.02(a), references to Class A Common Stock in the definition of “**Trading Day**” shall be replaced by

references to any publicly traded securities that comprise all or part of the Exchange Property.

Such supplemental agreement described in the second immediately preceding paragraph shall provide for adjustments that shall be as nearly equivalent as is possible to the adjustments provided for in this Article 5. If, in the case of any Reorganization Event, the Exchange Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the successor or purchasing Person, as the case may be, in such Reorganization Event, then such supplemental agreement shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holders of the Equity-Linked Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) In the event the Company shall execute a supplemental agreement pursuant to Section 5.02(a), the Company shall promptly file with the Purchase Contract Agent an Officers' Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or property or asset that will comprise the Exchange Property after any such Reorganization Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders. The Company (or any successor) shall, within 20 days of the occurrence of any Reorganization Event or, if earlier, within 20 days of the execution of any supplemental agreement pursuant to Section 5.02(a), provide written notice to the Purchase Contract Agent and Holders of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitute the Exchange Property and of the execution of such supplemental agreement, if applicable. Failure to deliver such notice shall not affect the operation of this Section 5.02 or the legality or validity of any such supplemental agreement.

(c) The Company shall not become a party to any Reorganization Event unless its terms are consistent with this Section 5.02. None of the foregoing provisions shall affect the right of a Holder of Purchase Contracts to effect Early Settlement pursuant to Section 4.06 and Section 4.07 prior to the effective date of such Reorganization Event.

(d) The above provisions of this Section 5.02(a) shall similarly apply to successive Reorganization Events and the provisions of Section 5.01 shall apply to any shares of Capital Stock of the Company (or any successor) received by the holders of Class A Common Stock in any such Reorganization Event.

ARTICLE 6
CONCERNING THE HOLDERS OF PURCHASE CONTRACTS

Section 6.01. Evidence of Action Taken by Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by a specified percentage of number of Purchase Contracts may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of Holders in Person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Purchase Contract Agent. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Section 8.01 and Section 8.03) conclusive in favor of the Purchase Contract Agent, the Company and the Note Issuer, if made in the manner provided in this Article 6.

Section 6.02. Proof of Execution of Instruments and of Holding of Securities. Subject to Section 8.01 and Section 8.03, the execution of any instrument by a Holder or his agent or proxy may be proved in the following manner:

(a) The fact and date of the execution by any Holder of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgments of deeds or administer oaths that the Person executing such instruments acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing the same.

(b) The ownership of the Units and the Purchase Contracts shall be proved by the Security Register or by a certificate of the Security Registrar.

Section 6.03. Purchase Contracts Deemed Not Outstanding. In determining whether the Holders of the requisite number of Outstanding Purchase Contracts have concurred in any direction, consent or waiver under this Agreement, Purchase Contracts which are owned by the Company or by any Affiliate of the Company with respect to which such determination is being made shall be disregarded and deemed not to be Outstanding Purchase Contracts for the purpose of any such determination, except that for the purpose of determining whether the Purchase Contract Agent shall be protected in relying on any such direction, consent or waiver only Purchase Contracts which a Responsible Officer of the Purchase Contract Agent knows are so owned shall be so disregarded. Purchase Contracts so owned which have been pledged in good faith may be

regarded as Outstanding Purchase Contracts if the pledgee establishes to the satisfaction of the Purchase Contract Agent the pledgee's right so to act with respect to such Purchase Contracts and that the pledgee is not the Company or any Affiliate of the Company. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Purchase Contract Agent in accordance with such advice. Upon request of the Purchase Contract Agent, the Company shall furnish to the Purchase Contract Agent promptly an Officers' Certificate listing and identifying all Purchase Contracts, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 8.01 and Section 8.03, the Purchase Contract Agent shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Purchase Contracts not listed therein are Outstanding Purchase Contracts for the purpose of any such determination.

Section 6.04. *Right of Revocation of Action Taken.* At any time prior to (but not after) the evidencing to the Purchase Contract Agent, as provided in Section 6.01, of the taking of any action by the Holders of the percentage of the number of Purchase Contracts specified in this Agreement in connection with such action, any Holder of a Purchase Contract the serial number of which is shown by the evidence to be included among the serial numbers of the Purchase Contracts the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article 6, revoke such action so far as concerns such Purchase Contract; *provided* that such revocation shall not become effective until three Business Days after such filing. Except as aforesaid, any such action taken by the Holder of any Purchase Contract shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Purchase Contract and of any Purchase Contracts issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Purchase Contract. Any action taken by the Holders of the percentage of the number of Purchase Contracts specified in this Agreement in connection with such action shall be conclusively binding upon the Company, the Note Issuer, the Purchase Contract Agent, the Trustee and the Holders of all the Purchase Contracts affected by such action.

Section 6.05. *Record Date for Consents and Waivers.* The Company may, but shall not be obligated to, establish a record date for the purpose of determining the Persons entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Agreement to be given made or taken by Holders of Purchase Contracts. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and any such Persons, shall be entitled to give, make or take any such request, demand, authorization, direction, notice, consent, waiver or

other action, whether or not such Holder remains a Holder after such record date; *provided, however*, that unless such waiver or consent is obtained from the Holders, or duly designated proxies, of the requisite number of Outstanding Purchase Contracts prior to the date which is the 120th day after such record date, any such waiver or consent previously given shall automatically and, without further action by any Holder be cancelled and of no further effect.

ARTICLE 7

REMEDIES

Section 7.01. *Unconditional Right of Holders to Receive Shares of Class A Common Stock.* Each Holder of a Purchase Contract (whether or not included in a Unit) shall have the right, which is absolute and unconditional, to receive the shares of Class A Common Stock pursuant to such Purchase Contract and to institute suit for the enforcement of any such right to receive the shares of Class A Common Stock, and such right shall not be impaired without the consent of such Holder.

Section 7.02. *Notice To Purchase Contract Agent; Limitation On Proceedings.* Holders of not less than 25% of Outstanding Purchase Contracts, by notice given to the Purchase Contract Agent, may request that Purchase Contract Agent to institute proceedings with respect to a default relating to any covenant hereunder. No Holder of Purchase Contracts may institute any proceedings, judicial or otherwise, with respect to this Agreement or for any remedy hereunder, except in the case of failure of the Purchase Contract Agent, for 60 days, to act after the Purchase Contract Agent has received a written request to institute proceedings in respect of a default with respect to any covenant hereunder from the Holders of not less than 25% of the Outstanding Purchase Contracts, as well as an offer of indemnity reasonably satisfactory to the Purchase Contract Agent. This provision will not prevent any Holder of Purchase Contracts from instituting suit for the delivery of Class A Common Stock deliverable upon settlement of the Purchase Contracts on any Settlement Date.

Section 7.03. *Restoration of Rights and Remedies.* If any Holder or the Purchase Contract Agent has instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to such Holder or the Purchase Contract Agent, then and in every such case, subject to any determination in such proceeding, the Company and the Note Issuer, as the case may be, and such Holder or the Purchase Contract Agent shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of such Holder shall continue as though no such proceeding had been instituted.

Section 7.04. *Rights and Remedies Cumulative.* Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.11, no right or remedy herein conferred upon or reserved to the Holders or the Purchase Contract Agent is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.05. *Delay or Omission Not Waiver.* No delay or omission of any Holder or the Purchase Contract Agent to exercise any right or remedy upon a default hereunder shall impair any such right or remedy or constitute a waiver of any such right. Every right and remedy given by this Article or by law to the Holders or the Purchase Contract Agent may be exercised from time to time, and as often as may be deemed expedient, by such Holders or the Purchase Contract Agent.

Section 7.06. *Undertaking for Costs.* All parties to this Agreement agree, and each Holder of a Purchase Contract, by its acceptance of such Purchase Contract shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Agreement, or in any suit against the Purchase Contract Agent for any action taken, suffered or omitted by it as Purchase Contract Agent, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section shall not apply to any suit instituted by (a) the Purchase Contract Agent, (b) any Holder, or group of Holders, holding in the aggregate more than 10% of the Outstanding Purchase Contracts, or (c) any Holder for the enforcement of the right to receive shares of Class A Common Stock or other Exchange Property issuable upon settlement of the Purchase Contracts held by such Holder.

Section 7.07. *Waiver of Stay or Execution Laws.* The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or assume or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Agreement; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the

Purchase Contract Agent or the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 7.08. Control by Majority. The Holders of not less than a majority in number of the Outstanding Purchase Contracts shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Purchase Contract Agent, or of exercising any trust or power conferred upon the Purchase Contract Agent; *provided* that the Purchase Contract Agent has received indemnity satisfactory to it. Notwithstanding the foregoing, the Purchase Contract Agent may refuse to follow any direction that is in conflict with any law or the Purchase Contract Agreement, that may involve it in personal liability or that may be unduly prejudicial to the Holders of Purchase Contracts not joining in the action.

ARTICLE 8

THE PURCHASE CONTRACT AGENT AND TRUSTEE

Section 8.01. Certain Duties and Responsibilities. (a) Each of the Purchase Contract Agent and Trustee undertakes to perform, with respect to the Units and Purchase Contracts, such duties and only such duties as are specifically delegated to it and set forth in this Agreement.

(b) No provision of this Agreement shall be construed to relieve the Purchase Contract Agent from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) the duties and obligations of the Purchase Contract Agent with respect to the Purchase Contracts shall be determined solely by the express provisions of this Agreement, and the Purchase Contract Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Purchase Contract Agent or the Trustee;

(ii) in the absence of bad faith on the part of the Purchase Contract Agent and/or the Trustee, as applicable, the Purchase Contract Agent and/or the Trustee, as applicable, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Purchase Contract Agent and/or the Trustee, as applicable, and conforming to the requirements of this Agreement; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Purchase Contract Agent and/or

the Trustee, the Purchase Contract Agent and/or the Trustee, as applicable, shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement;

(iii) the Purchase Contract Agent and/or the Trustee, as applicable, shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Purchase Contract Agent and/or the Trustee, as applicable, unless it shall be proved that the Purchase Contract Agent was negligent in ascertaining the pertinent facts; and

(iv) the Purchase Contract Agent and/or the Trustee, as applicable, shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 7.08 relating to the time, method and place of conducting any proceeding for any remedy available to the Purchase Contract Agent and/or the Trustee, as applicable, or exercising any right or power conferred upon the Purchase Contract Agent and/or the Trustee, as applicable, under this Agreement.

(c) This Agreement shall not be deemed to create a fiduciary relationship under state or federal law between Wilmington Trust Company, in its capacity as the Purchase Contract Agent, and any Holder of any Equity-Linked Security.

None of the provisions contained in this Agreement shall require the Purchase Contract Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

Section 8.02. Notice of Default. Within 90 days after the occurrence of any default by the Company hereunder of which a Responsible Officer of the Purchase Contract Agent has actual knowledge, the Purchase Contract Agent shall transmit by mail to the Company and the Holders of Purchase Contracts, as their names and addresses appear in the Security Register, notice of such default hereunder, unless such Responsible Officer of the Purchase Contract Agent has actual knowledge that such default shall have been cured or waived.

Section 8.03. Certain Rights of Purchase Contract Agent. Subject to the provisions of Section 8.01:

(a) the Purchase Contract Agent may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any

other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate or Issuer Order (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Purchase Contract Agent by a Board Resolution;

(c) the Purchase Contract Agent may consult with counsel of its selection and any advice of such counsel promptly confirmed in writing shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel;

(d) the Purchase Contract Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of any of the Holders pursuant to the provisions of this Agreement (including, without limitation, pursuant to Section 7.08), unless such Holders shall have offered to the Purchase Contract Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Purchase Contract Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Agreement;

(f) the Purchase Contract Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Outstanding Purchase Contracts; *provided* that, if the payment within a reasonable time to the Purchase Contract Agent of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Purchase Contract Agent, not reasonably assured to the Purchase Contract Agent by the security afforded to it by the terms of this Agreement, the Purchase Contract Agent may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Company or, if paid by the Purchase Contract Agent or any predecessor Purchase Contract Agent, shall be repaid by the Company upon demand;

(g) the Purchase Contract Agent may execute any of the rights or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Purchase Contract Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder;

(h) the Purchase Contract Agent shall not be charged with knowledge of any default with respect to a series of Securities unless either (i) a Responsible Officer of the Purchase Contract Agent assigned to the Corporate Trust Office of the Purchase Contract Agent (or any successor division or department of the Purchase Contract Agent) shall have actual knowledge of such default or (ii) written notice of such default shall have been given to the Purchase Contract Agent by the Company, the Note Issuer or any Holder;

(i) the Purchase Contract Agent shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(j) the permissive rights of the Purchase Contract Agent hereunder shall not be construed as duties;

(k) in no event shall the Purchase Contract Agent be liable for any consequential, special, punitive or indirect loss or damages, even if advised of the likelihood thereof in advance and regardless of the form of action;

(l) the rights, privileges, protections, immunities and benefits given to the Purchase Contract Agent, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Purchase Contract Agent and the Trustee (whether or not the Trustee is expressly referred to in connection with any such rights, privileges, protections, immunities and benefits) in each of their capacities hereunder, and to each agent, custodian and other Person employed to act hereunder;

(m) each of the Purchase Contract Agent and the Trustee may request that the Company (on behalf of itself and the Note Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Agreement, which Officers' Certificate may be signed by any Person authorized to sign an Officers' Certificate, including any Person specified as so authorized in any such Officers' Certificate previously delivered and not superseded; and

(n) neither the Purchase Contract Agent nor the Trustee shall not be responsible for delays or failures in performance of its obligations hereunder resulting from acts beyond its reasonable control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics,

governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes, terrorist attacks or other disasters, it being understood that each of the Purchase Contract Agent and the Trustee shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 8.04. *Not Responsible for Recitals.* The recitals contained herein and in the Certificates shall be taken as the statements of the Company or the Note Issuer, as the case may be, and neither the Purchase Contract Agent nor the Trustee assumes any responsibility for their accuracy. Neither the Purchase Contract Agent nor the Trustee makes any representations as to the validity or sufficiency of either this Agreement or of the Purchase Contracts. Neither the Purchase Contract Agent nor the Trustee shall be accountable for the use or application by the Company of the proceeds in respect of the Purchase Contracts.

Section 8.05. *May Hold Units and Purchase Contracts.* Any Security Registrar or any other agent of the Company, or the Purchase Contract Agent, the Trustee and any of their Affiliates, in their individual or any other capacity, may become the owner of Units, Separate Purchase Contracts and Separate Notes and may otherwise deal with the Company, the Note Issuer or any other Person with the same rights it would have if it were not Security Registrar or such other agent, or the Purchase Contract Agent. The Company and the Note Issuer may become the owner of Units, Separate Purchase Contracts and Separate Notes.

Section 8.06. *Money Held in Custody.* Money held by the Purchase Contract Agent in custody hereunder need not be segregated from other funds except to the extent required by law or provided herein. The Purchase Contract Agent shall be under no obligation to invest or pay interest on any money received by it hereunder except as specifically instructed by the Company in an Issuer Order.

Section 8.07. *Compensation, Reimbursement and Indemnification.* The Company covenants and agrees to pay to the Purchase Contract Agent from time to time, and the Purchase Contract Agent shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Purchase Contract Agent and the Company covenants and agrees to pay or reimburse the Purchase Contract Agent and each predecessor Purchase Contract Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Purchase Contract Agent

and each predecessor Purchase Contract Agent for, and to hold it harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based on the income of the Purchase Contract Agent), incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Agreement and its duties hereunder, including the costs and expenses of defending itself against or investigating any claim or liability in the premises. The obligations of the Agreement under this Section 8.07 to compensate and indemnify the Purchase Contract Agent and each predecessor Purchase Contract Agent and to pay or reimburse the Purchase Contract Agent and each predecessor Purchase Contract Agent for expenses, disbursements and advances shall survive the satisfaction and discharge of this Agreement or the resignation or removal of the Purchase Contract Agent. The provisions of this Section 8.07 shall survive the resignation or removal of the Purchase Contract Agent and the termination of this Agreement. If the Purchase Contract Agent incurs any expenses, or if the Purchase Contract Agent is entitled to any compensation for services rendered (including fees and expenses of its agent and counsel), in each case, in connection with the performance of its obligations under this Agreement after the occurrence of a Bankruptcy Event, then any such expenses or compensation are intended to constitute expenses of administration under applicable Bankruptcy Laws.

Section 8.08. Corporate Purchase Contract Agent Required; Eligibility. There shall at all times be a Purchase Contract Agent hereunder. The Purchase Contract Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any state thereof or the District of Columbia having a combined capital and surplus of at least \$25,000,000, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal, state or District of Columbia authority, or a corporation or other Person permitted to act as trustee by the Commission. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Purchase Contract Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Article.

Section 8.09. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Purchase Contract Agent and no appointment of a successor Purchase Contract Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Purchase Contract Agent in accordance with the applicable requirements of Section 8.10.

(b) The Purchase Contract Agent may resign at any time by giving written notice thereof to the Company 60 days prior to the effective date of such resignation. If the instrument of acceptance by a successor Purchase Contract Agent required by Section 8.10 shall not have been delivered to the Purchase Contract Agent within 30 days after the giving of such notice of resignation, the resigning Purchase Contract Agent may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Purchase Contract Agent.

(c) The Purchase Contract Agent may be removed at any time the Holders of a majority in number of the Outstanding Purchase Contracts. If the instrument of acceptance by a successor Purchase Contract Agent required by Section 8.10 shall not have been delivered to the Purchase Contract Agent within 30 days after evidence of such removal is delivered to the Company and Purchase Contract Agent, the removed Purchase Contract Agent may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Purchase Contract Agent.

(d) If at any time:

(i) the Purchase Contract Agent shall cease to be eligible under Section 8.08 and shall fail to resign after written request therefor by the Company or by any such Holder; or

(ii) the Purchase Contract Agent shall be adjudged bankrupt or insolvent or a receiver of the Purchase Contract Agent or of its property shall be appointed or any public officer shall take charge or control of the Purchase Contract Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (x) the Company by a Board Resolution may remove the Purchase Contract Agent, or (y) any Holder who has been a bona fide Holder of a Purchase Contract for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Purchase Contract Agent and the appointment of a successor Purchase Contract Agent.

(e) If the Purchase Contract Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Purchase Contract Agent for any cause, the Company shall promptly appoint a successor Purchase Contract Agent and shall comply with the applicable requirements of Section 8.10. If no successor Purchase Contract Agent shall have been so appointed by the Company and accepted appointment in the manner required by Section 8.10, any Holder who has been a bona fide Holder of a Purchase Contract for at least six months, on behalf of itself and all others similarly situated, or the Purchase

Contract Agent may petition at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Purchase Contract Agent.

(f) The Company shall give, or shall cause such successor Purchase Contract Agent to give, notice of each resignation and each removal of the Purchase Contract Agent and each appointment of a successor Purchase Contract Agent by mailing written notice of such event by first-class mail, postage prepaid, to Holders as their names and addresses appear in the applicable Security Register. Each notice shall include the name of the successor Purchase Contract Agent and the address of its Corporate Trust Office.

Section 8.10. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Purchase Contract Agent, every such successor Purchase Contract Agent so appointed shall execute, acknowledge and deliver to the Company and to the retiring Purchase Contract Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Purchase Contract Agent shall become effective and such successor Purchase Contract Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, agencies and duties of the retiring Purchase Contract Agent. At the request of the Company or the successor Purchase Contract Agent, such retiring Purchase Contract Agent shall, upon its receipt of payment or reimbursement of any amounts due to it hereunder, execute and deliver an instrument transferring to such successor Purchase Contract Agent all the rights, powers and trusts of the retiring Purchase Contract Agent and shall duly assign, transfer and deliver to such successor Purchase Contract Agent all property and money held by such retiring Purchase Contract Agent hereunder.

(b) Upon request of any such successor Purchase Contract Agent, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Purchase Contract Agent all such rights, powers and agencies referred to in paragraph (a) of this Section.

(c) No successor Purchase Contract Agent shall accept its appointment unless at the time of such acceptance such successor Purchase Contract Agent shall be qualified and eligible under this Article.

Section 8.11. Merger; Conversion; Consolidation or Succession to Business. Any corporation into which the Purchase Contract Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Purchase Contract Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Purchase Contract Agent, shall be the successor of the Purchase Contract Agent hereunder; *provided* that such

corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. If any Equity-Linked Securities shall have been authenticated on behalf of the Holders by the Trustee and Purchase Contract Agent then in office, but not delivered, any successor by merger, conversion or consolidation to such Purchase Contract Agent may adopt such Purchase Contract Agent's authentication and deliver the Equity-Linked Securities so authenticated with the same effect as if such successor Purchase Contract Agent had itself authenticated such Equity-Linked Securities.

Section 8.12. Preservation of Information; Communications to Holders. (a) The Purchase Contract Agent shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders as received by the Purchase Contract Agent in its capacity as Security Registrar.

(b) If three or more Holders (such three or more Holders, the "**Applicants**") apply in writing to the Purchase Contract Agent, and furnish to the Purchase Contract Agent reasonable proof that each such Applicant has owned a Unit or Separate Purchase Contract for a period of at least six months preceding the date of such application, and such application states that the Applicants desire to communicate with other Holders with respect to their rights under this Agreement or under the Units or Separate Purchase Contracts and is accompanied by a copy of the form of proxy or other communication that such Applicants propose to transmit, then the Purchase Contract Agent shall mail to all the Holders copies of the form of proxy or other communication that is specified in such request, with reasonable promptness after a tender to the Purchase Contract Agent of the materials to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing.

Section 8.13. No Other Obligations of Purchase Contract Agent or Trustee. Except to the extent otherwise expressly provided in this Agreement, neither the Purchase Contract Agent nor Trustee assumes any obligations, and neither the Purchase Contract Agent nor Trustee shall be subject to any liability, under this Agreement or any Security evidencing a Unit or Purchase Contract in respect of the obligations of the Holder of any Unit or Purchase Contract thereunder. The Company and the Note Issuer agree, and each Holder of a Security, by his or her acceptance thereof, shall be deemed to have agreed, that the Purchase Contract Agent's and/or Trustee's authentication, as applicable, of the Securities on behalf of the Holders shall be solely as agent and attorney-in-fact for the Holders, and that neither the Purchase Contract Agent nor Trustee shall have any obligation to perform such Purchase Contracts (whether held as components of Units or Separate Purchase Contracts) on behalf of the Holders, except to the extent expressly provided in Article 3 hereof.

Section 8.14. Tax Compliance. (a) The Purchase Contract Agent shall comply with all applicable certification, information reporting and withholding (including “backup” withholding) requirements imposed by applicable tax laws, regulations or administrative practice with respect to (i) any shares of Class A Common Stock delivered upon settlement of the Purchase Contracts, any amounts paid in lieu of fractional shares of Class A Common Stock upon settlement of the Purchase Contracts, and any other amounts included in the Purchase Contract Settlement Fund paid to Holders upon settlement of any Purchase Contracts or (ii) the issuance, delivery, holding, transfer or exercise of rights under the Purchase Contracts. Such compliance shall include, without limitation, the preparation and timely filing of required returns and the timely payment of all amounts required to be withheld to the appropriate taxing authority or its designated agent. Notwithstanding anything to the contrary, the Purchase Contract Agent’s obligations under this Section 8.14 shall extend only to form 1099 reporting and any applicable income withholding unless and until the Purchase Contract Agent is otherwise notified by the Company pursuant to paragraph (b) below.

(b) The Purchase Contract Agent shall, in accordance with the terms hereof, comply with any written direction received from the Company with respect to the execution or certification of any required documentation and the application of such requirements to particular payments or Holders or in other particular circumstances, and may for purposes of this Agreement conclusively rely on any such direction in accordance with the provisions of Section 8.01(b)(ii).

(c) The Purchase Contract Agent shall maintain all appropriate records documenting compliance with such requirements, and shall make such records available, on written request, to the Company or its authorized representative within a reasonable period of time after receipt of such request. For the avoidance of doubt, any costs or expenses incurred by the Purchase Contract Agent in connection with complying with its obligations under this Section 8.14 shall be covered by Section 8.07.

ARTICLE 9
SUPPLEMENTAL AGREEMENTS

Section 9.01. Supplemental Agreements Without Consent of Holders. Without the consent of any Holders, the Company, the Note Issuer, the Purchase Contract Agent and the Trustee at any time and from time to time, may enter into one or more agreements supplemental hereto, in form satisfactory to the Company, the Note Issuer and the Purchase Contract Agent, to:

- (i) evidence the succession of another Person to the Company or the Note Issuer, and the assumption by any such successor of the

covenants and obligations of the Company or the Note Issuer under this Agreement and the Units and Separate Purchase Contracts, if any;

(ii) add to the covenants for the benefit of Holders or to surrender any of the Company's or Note Issuer's rights or powers;

(iii) evidence and provide for the acceptance of appointment of a successor Purchase Contract Agent;

(iv) make provision with respect to the rights of Holders pursuant to adjustments in the Settlement Rate due to Reorganization Events;

(v) conform the terms of the Purchase Contracts or the provisions of this Agreement to the "Description of the Purchase Contracts," "Description of the Units" and "Limitation on Beneficial Ownership of Class A Common Stock, Units and Separate Purchase Contracts" sections in the Prospectus Supplement;

(vi) cure any ambiguity or manifest error, to correct or supplement any provisions that may be inconsistent, so long as such action does not adversely affect the interest of the Holders; or

(vii) to make any other provisions with respect to such matters or questions, so long as such action does not adversely affect the interest of the Holders.

Section 9.02. Supplemental Agreements With Consent of Holders. With the consent of the Holders of not less than a majority in number of the Outstanding Purchase Contracts, the Purchase Contract Agent and the Trustee, the Company, when authorized by a Board Resolution, and the Note Issuer, the Purchase Contract Agent and Trustee may enter into an agreement or agreements supplemental hereto for the purpose of modifying in any manner the terms of the Purchase Contracts, or the provisions of this Agreement or the rights of the Holders in respect of the Purchase Contracts; *provided, however*, that, except as contemplated herein, no such supplemental agreement shall, without the consent of each Holder of an Outstanding Purchase Contract affected thereby:

(i) reduce the number of shares of Class A Common Stock deliverable upon settlement of the Purchase Contracts (except to the extent expressly provided in Section 5.01);

(ii) change the Mandatory Settlement Date, the right to settle Purchase Contracts early or the Fundamental Change Early Settlement Right;

(iii) reduce the above-stated percentage of Outstanding Purchase Contracts the consent of the Holders of which is required for the modification or amendment of the provisions of the Purchase Contracts or the Purchase Contract Agreement; or

(iv) impair the right to institute suit for the enforcement of the Purchase Contract.

It shall not be necessary for any consent of Holders under this Section to approve the particular form of any proposed supplemental agreement, but it shall be sufficient if such consent shall approve the substance thereof.

Section 9.03. Execution of Supplemental Agreements. In executing, or accepting the additional agencies created by, any supplemental agreement permitted by this Article or the modifications thereby of the agencies created by this Agreement, the Purchase Contract Agent and Trustee shall be provided, and (subject to Section 8.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such supplemental agreement is authorized or permitted by this Agreement and does not violate the Indenture, and that any and all conditions precedent to the execution and delivery of such supplemental agreement have been satisfied. The Purchase Contract Agent and Trustee may, but shall not be obligated to, enter into any such supplemental agreement that affects the Purchase Contract Agent's or Trustee's own rights, duties or immunities under this Agreement or otherwise.

Section 9.04. Effect of Supplemental Agreements. Upon the execution of any supplemental agreement under this Article, this Agreement shall be modified in accordance therewith, and such supplemental agreement shall form a part of this Agreement for all purposes; and every Holder of Securities theretofore or thereafter authenticated on behalf of the Holders and delivered hereunder, shall be bound thereby.

Section 9.05. Reference to Supplemental Agreements. Securities authenticated on behalf of the Holders and delivered after the execution of any supplemental agreement pursuant to this Article may, and shall if required by the Purchase Contract Agent, bear a notation in form approved by the Purchase Contract Agent as to any matter provided for in such supplemental agreement. If the Company and the Note Issuer shall so determine, new Securities so modified as to conform, in the opinion of the Purchase Contract Agent, the Trustee and the Company and the Note Issuer, to any such supplemental agreement may be prepared and executed by the Company the Note Issuer and authenticated on behalf of the Holders and delivered by the Purchase Contract Agent in exchange for outstanding Securities.

Section 9.06. Notice of Supplemental Agreements. After any supplemental agreement under this Article becomes effective, the Company shall mail to the Holders a notice briefly describing such supplemental agreement; *provided, however*, that the failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of such supplemental agreement.

ARTICLE 10

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 10.01. Covenant Not to Consolidate, Merge, Convey, Transfer or Lease Property Except Under Certain Conditions. The Company covenants that it will not merge with and into, consolidate with any other Person or sell, assign, transfer, lease or convey all or substantially all of its properties and assets to any Person, unless:

(i) the resulting, surviving or transferee entity (if not the Company) is a corporation or limited liability company that is treated as a corporation for U.S. federal income tax purposes, organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such corporation or limited liability company (if not the Company) expressly assumes in writing all of the Company's obligations under the Units, the Purchase Contracts and this Agreement; and

(ii) immediately after the merger, consolidation, sale, assignment, transfer, lease or conveyance, no default has occurred and is continuing under the Units, the Purchase Contracts or this Agreement.

Section 10.02. Rights and Duties of Successor Entity. In case of any such merger, consolidation, sale, assignment, transfer or conveyance (but not any such lease) and upon any such assumption by a successor entity in accordance with Section 10.01, such successor entity shall succeed to and be substituted for the Company with the same effect as if it had been named herein as the Company. Such successor entity thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Securities evidencing Units or Purchase Contracts issuable hereunder which theretofore shall not have been signed by the Company and the Note Issuer (if applicable) and delivered to the Purchase Contract Agent; and, upon the order of such successor entity, instead of the Company, and subject to all the terms, conditions and limitations in this Agreement prescribed, the Purchase Contract Agent and Trustee (if applicable) shall authenticate on behalf of the Holders and deliver any Securities that previously shall have been signed and delivered by the officers of the Company and the Note Issuer to the Purchase Contract Agent and Trustee for

authentication, and any Security evidencing Units or Purchase Contracts that such successor corporation thereafter shall cause to be signed and delivered to the Purchase Contract Agent and Trustee for that purpose. All the Securities issued shall in all respects have the same legal rank and benefit under this Agreement as the Securities theretofor or thereafter issued in accordance with the terms of this Agreement as though all of such Securities had been issued at the date of the execution hereof.

In the event of any such merger, consolidation, sale, assignment, transfer, lease or conveyance, such change in phraseology and form (but not in substance) may be made in the Securities evidencing Units or Purchase Contracts thereafter to be issued as may be appropriate.

Section 10.03. Officers' Certificate and Opinion of Counsel Given to Purchase Contract Agent. The Purchase Contract Agent, subject to Section 8.01 and Section 8.03, shall receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such merger, consolidation, sale, assignment, transfer, lease or conveyance, and any such assumption, complies with the provisions of this Article and that all conditions precedent to the consummation of any such merger, consolidation, sale, assignment, transfer, lease or conveyance have been met.

ARTICLE 11

COVENANTS OF THE COMPANY AND THE NOTE ISSUER

Section 11.01. Performance Under Purchase Contracts. Each of the Company and the Note Issuer covenants and agrees for the benefit of the Holders from time to time of the Units and Purchase Contracts, as the case may be, that it will duly and punctually perform its obligations under the Units and Purchase Contracts, as they case may be, in accordance with the terms of the Units and Purchase Contracts and this Agreement.

Section 11.02. Maintenance of Office Or Agency. The Company will maintain in the Borough of Manhattan, New York City or in Delaware an office or agency where Securities may be presented or surrendered for acquisition of shares of Class A Common Stock upon settlement of the Purchase Contracts on any Settlement Date, and where notices and demands to or upon the Company in respect of the Purchase Contracts and this Agreement may be served. The Company will give prompt written notice to the Purchase Contract Agent of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Purchase Contract Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the

Corporate Trust Office, and the Company hereby appoints the Purchase Contract Agent as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, New York City or in Delaware for such purposes. The Company will give prompt written notice to the Purchase Contract Agent of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates as the place of payment for the Purchase Contracts the Corporate Trust Office and appoints the Purchase Contract Agent at its Corporate Trust Office as paying agent in such city.

Section 11.03. *Statements of Officers of the Company as to Default; Notice of Default.* (a) The Company will deliver to the Purchase Contract Agent, within 120 days after the end of each fiscal year of the Company (which as of the Issue Date is October 31) ending after the date hereof, an Officers' Certificate (one of the signers of which shall be the principal executive officer, principal financial officer or principal accounting officer of the Company), stating whether or not to the knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions hereof, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge and what action the Company is taking or proposes to take with respect thereto.

(b) The Company shall promptly deliver to the Purchase Contract Agent written notice of the occurrence of any default in the performance and observance of any of the terms, provisions and conditions hereof and the status thereof.

Section 11.04. *Existence.* The Company and the Note Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect its existence in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company and the Note Issuer; *provided* that this Section 11.04 shall not prohibit any transaction otherwise permitted by Article 10.

Section 11.05. *Company to Reserve Class A Common Stock.* The Company shall at all times reserve and keep available out of its authorized but unissued Class A Common Stock, solely for issuance upon settlement of the Purchase Contracts, that number of shares of Class A Common Stock as shall from time to time be issuable upon the settlement of all Outstanding Purchase Contracts

(whether or not included in a Unit), assuming settlement at the Maximum Settlement Rate.

Section 11.06. Covenants as to Class A Common Stock. (a) The Company covenants that all shares of Class A Common Stock issuable upon settlement of any Outstanding Purchase Contract will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, free from all taxes, liens and charges and not subject to any preemptive rights.

The Company further covenants that, if at any time the Class A Common Stock shall be listed on the NYSE or any other national securities exchange, the Company will, if permitted by the rules of such exchange, list and keep listed, so long as the Class A Common Stock shall be so listed on such exchange, all Class A Common Stock issuable upon settlement of the Purchase Contracts; *provided, however*, that, if the rules of such exchange system permit the Company to defer the listing of such Class A Common Stock until the first delivery of Class A Common Stock upon settlement of Purchase Contracts in accordance with the provisions of this Agreement, the Company covenants to list such Class A Common Stock issuable upon settlement of the Purchase Contracts in accordance with the requirements of such exchange at such time.

(b) The Company shall apply to list the Units on the NYSE, subject to satisfaction of the NYSE's minimum listing standards with respect to the Units. In addition, if (i) a sufficient number of Units are separated into Separate Purchase Contracts and Separate Notes and traded separately such that applicable listing requirements are met and (ii) the Holders of a sufficient number of such Separate Purchase Contracts and Separate Notes request that the Company list such Separate Purchase Contracts and Separate Notes, the Company may endeavor to list such Separate Purchase Contracts and Separate Notes on an exchange of the Company's choosing (which may or may not be the NYSE) subject to applicable listing requirements.

Section 11.07. Tax Treatment. The Company and the Note Issuer agree, and by purchasing a Unit each Beneficial Holder agrees, for United States federal income tax purposes, to (a) treat a Unit as an investment unit composed of two separate instruments, in accordance with its form, (b) treat the Notes as indebtedness of the Note Issuer and (c) in the case of each Beneficial Holder acquiring the Units at original issuance, allocate the Stated Amount of each Unit between the Note and the Purchase Contract so that such Beneficial Holder's initial tax basis in each Note will be \$4.526049 and each such Beneficial Holder's initial tax basis in each Purchase Contract will be \$20.473951.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HOVNIANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

K. HOVNIANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

WILMINGTON TRUST COMPANY, as
Purchase Contract Agent

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Financial Services Officer

WILMINGTON TRUST COMPANY, as
Trustee under the Indenture

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Financial Services Officer

WILMINGTON TRUST COMPANY, as
Attorney-in-Fact of the Holders from
time to time as provided under the
Purchase Contract Agreement

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Financial Services Officer

[FORM OF FACE OF UNIT]

[THIS SECURITY IS A GLOBAL UNIT WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE “**DEPOSITARY**”) TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY AND THE NOTE ISSUER OR THEIR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

* Include if a Global Unit.

HOVNANIAN ENTERPRISES, INC.
and
K. HOVNANIAN ENTERPRISES, INC.
7.25% TANGIBLE EQUITY UNITS

CUSIP No. 44248W 208
ISIN No. US44248W2089
No. ____

[Initial]* Number of Units _____

This Unit certifies that [CEDE & CO., as nominee of The Depository Trust Company]*[]** (the “**Holder**”), or registered assigns, is the registered owner of the number of Units set forth above], which number may from time to time be reduced or increased, as set forth on Schedule A, as appropriate, in accordance with the terms of the Purchase Contract Agreement (as defined below), but which number, taken together with the number of all other outstanding Units, shall not exceed 3,000,000 Units at any time (as increased by a number equal to the aggregate number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement)]*.

Each Unit consists of (i) a Purchase Contract issued by the Company, and (ii) a Note issued by the Note Issuer. Each Unit evidenced hereby is governed by a Purchase Contract Agreement, dated as of February 9, 2011 (as may be supplemented from time to time, the “**Purchase Contract Agreement**”), among the Company, the Note Issuer and Wilmington Trust Company, as Purchase Contract Agent (including its successors hereunder, the “**Purchase Contract Agent**”), as Trustee (including its successors hereunder, the “**Trustee**”) under the Indenture and as attorney-in-fact for the Holders of Purchase Contracts from time to time.

Reference is hereby made to the Purchase Contract Agreement and the Indenture and, in each case supplemental agreements thereto, for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Purchase Contract Agent, the Trustee, the Company, the Note Issuer and the Holders and of the terms upon which the Units are, and are to be, executed and delivered.

Upon the conditions and under the circumstances set forth in the Purchase Contract Agreement, Holders of Units shall have the right to separate a Unit into its component parts, and a Holder of a Separate Purchase Contract and Separate Note shall have the right to re-create a Unit.

The Company and the Note Issuer agree, and by purchasing a Unit each Beneficial Holder agrees, for United States federal income tax purposes, to (1) treat each Unit as an investment unit composed of two separate instruments, in accordance with its form, (2) treat each Note as indebtedness of the Note Issuer and (3) in the case of each Beneficial Holder acquiring the Units at original issuance, allocate the Stated Amount of each Unit between the Note and the Purchase Contract so that such Beneficial Holder's initial tax basis in each Note will be \$4.526049 and each such Beneficial Holder's initial tax basis in each Purchase Contract will be \$20.473951.

This Unit is subject to the Section 382 Ownership Blocker and Section 382 Settlement Blocker, in each case, as provided in the Purchase Contract Agreement. Each Beneficial Holder of this Unit, by acquiring an interest in this Unit, represents and warrants to the Company that it is in compliance with the ownership limitations of the Section 382 Ownership Blocker (which representation and warranty is part of the consideration for the issuance of this Unit). Any purported violation of the Section 382 Ownership Blocker shall be subject to the consequences provided in the Purchase Contract Agreement and the Indenture.

The Units, and any claim, controversy or dispute arising under or related to the Units, shall be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used herein and not defined have the meanings given to such terms in the Purchase Contract Agreement.

In the event of any inconsistency between the provisions of this Unit and the provisions of the Purchase Contract Agreement, the Purchase Contract Agreement shall prevail.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.

** Include only if not a Global Unit.

IN WITNESS WHEREOF, the Company and the Note Issuer have caused this instrument to be duly executed.

Dated: _____

HOVNANIAN ENTERPRISES, INC.

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

K. HOVNANIAN ENTERPRISES, INC.

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

UNIT CERTIFICATE OF AUTHENTICATION
OF PURCHASE CONTRACT AGENT AND TRUSTEE UNDER THE INDENTURE

This is one of the Units referred to in the within mentioned Purchase Contract Agreement.

Dated: _____

WILMINGTON TRUST COMPANY, as
Purchase Contract Agent

By: _____
Authorized Signatory

WILMINGTON TRUST COMPANY, as
Trustee under the Indenture

By: _____
Authorized Signatory

[FORM OF REVERSE OF UNIT]

[Intentionally Blank]

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SCHEDULE A

[SCHEDULE OF INCREASES OR DECREASES IN GLOBAL UNIT]*

The initial number of Units evidenced by this Global Unit is 3,000,000. The following increases or decreases in this Global Unit have been made:

<u>Date</u>	<u>Amount of increase in number of Units evidenced by the Global Unit</u>	<u>Amount of decrease in number of Units evidenced by the Global Unit</u>	<u>Number of Units evidenced by the Global Unit following such decrease or increase</u>	<u>Signature of authorized signatory of Purchase Contract Agent</u>
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* Include only if a Global Unit.

[FORM OF SEPARATION NOTICE]

WILMINGTON TRUST COMPANY
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4145
Attention: Corporate Client Services

Re: Separation of [Global]* Units

The undersigned [Beneficial Holder]* hereby notifies you that it wishes to separate _____ Units [as to which it holds a Book-Entry Interest]* (the “**Relevant Units**”) into a number of Notes equal to the number of Relevant Units and a number of Purchase Contracts equal to the number of Relevant Units in accordance with the Purchase Contract Agreement (the “**Purchase Contract Agreement**”) dated February 9, 2011 among the Company, the Note Issuer and Wilmington Trust Company, as Purchase Contract Agent, as Trustee under the Indenture and as attorney-in-fact for the Holders of Purchase Contracts from time to time. Terms used and not defined herein have the meaning assigned to such terms in the Purchase Contract Agreement.

The undersigned [includes herewith]** [Beneficial Holder has instructed the undersigned Depository Participant to transfer to you its Book-Entry Interests in]* the number of Units specified in the immediately succeeding paragraph. The undersigned [includes herewith]** [Beneficial Holder has furnished the undersigned Depository Participant with]* the appropriate endorsements and documents and paid all applicable transfer or similar taxes, if any, to the extent required by the Purchase Contract Agreement.

Please [deliver to the undersigned’s address specified below]** [transfer to the account of the undersigned Beneficial Holder with the undersigned Depository Participant the beneficial interests in]* (i) the number of Separate Notes and (ii) number of Separate Purchase Contracts represented by the number of Units specified above.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.

** Include only if not a Global Unit.

IN WITNESS WHEREOF, the [undersigned has caused this instrument to be duly executed]** [Depository Participant has caused this instrument to be duly executed on behalf of itself and the undersigned Beneficial Holder]*.

Dated: _____

[NAME OF BENEFICIAL HOLDER]

By: _____

Name:

Title:

Address:

[NAME OF DEPOSITORY PARTICIPANT]*

By: _____

Name:

Address:

Attest By:

* Include only if a Global Unit.

** Include only if not a Global Unit.

[FORM OF RECREATION NOTICE]

WILMINGTON TRUST COMPANY
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4145
Attention: Corporate Client Services

Re: Recreation of [Global]* Units

The undersigned [Beneficial Holder]* hereby notifies you that it wishes to recreate _____ Units [as to which it holds a Book-Entry Interest]* (the “**New Units**”) from a number of Separate Notes equal to the number of New Units and a number of Separate Purchase Contracts equal to the number of New Units in accordance with the Purchase Contract Agreement (the “**Purchase Contract Agreement**”) dated as of February 9, 2011 among the Company, the Note Issuer and Wilmington Trust Company, as Purchase Contract Agent, as Trustee under the Indenture and as attorney-in-fact for the Holders of Purchase Contracts from time to time. Terms used and not defined herein have the meaning assigned to such terms in the Purchase Contract Agreement.

The undersigned [includes herewith]** [Beneficial Holder has instructed the undersigned Depository Participant to transfer to you its Book-Entry Interests in]* the applicable number of Separate Notes and the applicable number of Separate Purchase Contracts sufficient for the recreation of the number of Units specified above. The undersigned [includes herewith]** [Beneficial Holder has furnished the undersigned Depository Participant with]* the appropriate endorsements and documents and paid all applicable transfer or similar taxes, if any, to the extent required by the Purchase Contract Agreement.

Please [deliver to the undersigned’s address specified below]** [transfer to the account of the undersigned Beneficial Holder with the undersigned Depository Participant the beneficial interests in]* the number of Units specified above.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.

** Include only if not a Global Unit.

IN WITNESS WHEREOF, the [undersigned has caused this instrument to be duly executed]** [Depository Participant has caused this instrument to be duly executed on behalf of itself and the undersigned Beneficial Holder]*.

Dated: _____

[NAME OF BENEFICIAL HOLDER]

By: _____

Name:

Title:

Address:

[NAME OF DEPOSITORY PARTICIPANT]*

By: _____

Name:

Address:

Attest By:

* Include only if a Global Unit.

** Include only if not a Global Unit.

HOVNANIAN ENTERPRISES, INC.

PURCHASE CONTRACTS

No. ____

Initial Number of Purchase Contracts: _____

This Purchase Contract certifies that, Wilmington Trust Company, as attorney-in-fact of holder(s) of the Purchase Contracts evidenced hereby, or its registered assigns (the "**Holder**") is the registered owner of the number of Purchase Contracts set forth above, which number may from time to time be reduced or increased as set forth on Schedule A hereto, as appropriate, in accordance with the terms of the Purchase Contract Agreement (as defined below), but which number of Purchase Contracts, taken together with the number of all other Outstanding Purchase Contracts, shall not exceed 3,000,000 Purchase Contracts at any time (as increased by a number equal to the aggregate number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement).

Each Purchase Contract consists of the rights of the Holder under such Purchase Contract with the Company. All capitalized terms used herein which are defined in the Purchase Contract Agreement (as defined on the reverse hereof) have the meaning set forth therein.

Each Purchase Contract evidenced hereby obligates the Company to deliver to the Holder of this Purchase Contract on the Mandatory Settlement Date a number shares of Class A common stock, \$0.01 par value ("**Class A Common Stock**"), of the Company equal to the Settlement Rate, unless such Purchase Contract has settled prior to the Mandatory Settlement Date, all as provided in the Purchase Contract Agreement and more fully described on the reverse hereof.

This Purchase Contract is subject to the Section 382 Ownership Blocker and Section 382 Settlement Blocker, in each case, as provided in the Purchase Contract Agreement. Each Beneficial Holder of this Purchase Contract, by acquiring an interest in this Purchase Contract, represents and warrants to the Company that it is in compliance with the ownership limitations of the Section 382 Ownership Blocker (which representation and warranty is part of the consideration for the issuance of this Purchase Contract). Any purported violation of the Section 382 Ownership Blocker shall be subject to the consequences provided in the Purchase Contract Agreement.

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

[SIGNATURES ON THE FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

HOVNANIAN ENTERPRISES, INC.

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

Dated: _____

REGISTERED HOLDER(S) (as to
obligations of such holder(s) under the
Purchase Contracts evidenced hereby)

By: WILMINGTON TRUST COMPANY,
not individually but solely as Attorney-in-Fact of such holder(s)

By: _____
Name:
Title:

PURCHASE CONTRACT CERTIFICATE OF AUTHENTICATION OF
PURCHASE CONTRACT AGENT

This is one of the Purchase Contracts referred to in the within-mentioned Purchase Contract Agreement.

WILMINGTON TRUST COMPANY, as
Purchase Contract Agent

By: _____
Authorized Signatory

Dated: _____

[REVERSE OF PURCHASE CONTRACT]

Each Purchase Contract evidenced hereby is governed by a Purchase Contract Agreement, dated as of February 9, 2011 (as may be supplemented from time to time, the “**Purchase Contract Agreement**”), among the Hovnanian Enterprises, Inc., a Delaware corporation (the “**Company**”), K. Hovnanian Enterprises, Inc., a California corporation (the “**Note Issuer**”) and Wilmington Trust Company, as Purchase Contract Agent (including its successors hereunder, the “**Purchase Contract Agent**”), as Trustee under the Indenture and as attorney-in-fact for the Holders of Purchase Contracts from time to time. Reference is hereby made to the Purchase Contract Agreement and supplemental agreements thereto for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Purchase Contract Agent, the Company and the Holders and of the terms upon which the Purchase Contracts are, and are to be, executed and delivered.

Each Purchase Contract evidenced hereby obligates the Company to deliver to the Holder of this Purchase Contract, on the Mandatory Settlement Date, a number of shares of Class A Common Stock equal to the Settlement Rate, unless such Purchase Contract has settled prior to the Mandatory Settlement Date, in either case, pursuant to the terms of the Purchase Contract Agreement.

No fractional shares of Class A Common Stock will be issued upon settlement of Purchase Contracts, as provided in Section 4.13 of the Purchase Contract Agreement.

The Purchase Contracts are issuable only in registered form and only in denominations of a single Purchase Contract and any integral multiple thereof. The transfer of any Purchase Contract will be registered and Purchase Contracts may be exchanged as provided in the Purchase Contract Agreement.

The Purchase Contracts are initially being issued as part of the 7.25% Tangible Equity Units (the “**Units**”) issued by the Company and the Note Issuer pursuant to the Purchase Contract Agreement. Holders of the Units have the right to separate such Units into their constituent parts, consisting of Separate Notes and Separate Purchase Contracts, during the times, and under the circumstances, described in the Purchase Contract Agreement. Following separation of any Unit into its constituent parts, the Separate Purchase Contracts are transferable independently from the Separate Notes. In addition, Separate Purchase Contracts can be recombined with Separate Notes to recreate Units, as provided for in the Purchase Contract Agreement.

The Holder of this Purchase Contract, by its acceptance hereof, authorizes the Purchase Contract Agent to enter into and perform the Purchase Contract

Agreement on its behalf as its attorney-in-fact and agrees to be bound by the terms and provisions thereof.

Subject to certain exceptions set forth in the Purchase Contract Agreement, the provisions of the Purchase Contract Agreement may be amended with the consent of the Holders of a majority of the Purchase Contracts.

The Purchase Contracts, and any claim, controversy or dispute arising under or related to the Purchase Contracts, shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company, the Purchase Contract Agent, and any agent of the Company or the Purchase Contract Agent, may treat the Person in whose name this Purchase Contract is registered as the owner of the Purchase Contracts, evidenced hereby, for the purpose of performance of the Purchase Contracts evidenced by such Purchase Contracts and for all other purposes whatsoever, and neither the Company nor the Purchase Contract Agent, nor any agent of the Company or the Purchase Contract Agent, shall be affected by notice to the contrary.

The Purchase Contracts shall not entitle the Holder to any of the rights of a holder of the Class A Common Stock or other Exchange Property, except as provided by the Purchase Contract Agreement.

Each Purchase Contract (whether or not included in a Unit) is a security governed by Article 8 of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

A copy of the Purchase Contract Agreement is available for inspection at the offices of the Company.

In the event of any inconsistency between the provisions of this Purchase Contract and the provisions of the Purchase Contract Agreement, the Purchase Contract Agreement shall prevail.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM: as tenants in common

UNIF GIFT MIN ACT: _____ Custodian _____
(cust) (minor)
Under Uniform Gifts to Minors
Act of _____

TENANT: as tenants by the entireties

JT TEN: as joint tenants with rights of survivorship and not as
tenants in common

Additional abbreviations may also be used though not in the above list.

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

(Please insert Social Security or Taxpayer I.D. or other Identifying Number of Assignee)

(Please Print or Type Name and Address Including Postal Zip Code of Assignee)

the within Purchase Contracts and all rights thereunder, hereby irrevocably constituting and appointing attorney _____, to transfer said Purchase Contracts on the books of the Company with full power of substitution in the premises.

DATED: _____

Signature _____

Notice : The signature to this assignment must correspond with the name as it appears upon the face of the within Purchase Contracts in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee: _____

SETTLEMENT INSTRUCTIONS

The undersigned Holder directs that a certificate for shares of Class A Common Stock or other securities, as applicable, deliverable upon settlement of the number of Purchase Contracts evidenced by this Purchase Contract be registered in the name of, and delivered, together with a check in payment for any fractional share, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares of Class A Common Stock or other securities, as applicable, are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incidental thereto, as provided in the Purchase Contract Agreement.

Dated: _____

Signature
Signature Guarantee: _____
(if assigned to another Person)

If shares are to be registered in the name of and delivered to a Person other than the Holder, please (i) print such Person's name and address and (ii) provide a guarantee of your signature:

Name

Name

Address

Address

Social Security or other Taxpayer Identification Number, if any

ELECTION TO SETTLE EARLY

The undersigned Holder of this Purchase Contract hereby irrevocably exercises the option to effect Early Settlement (which Early Settlement may, as applicable, be deemed to be in connection with a Fundamental Change pursuant to Section 4.07 of the Purchase Contract Agreement) in accordance with the terms of the Purchase Contract Agreement with respect to the Purchase Contracts evidenced by this Purchase Contract as specified below. The undersigned Holder directs that a certificate for shares of Class A Common Stock or other securities, as applicable, deliverable upon such Early Settlement be registered in the name of, and delivered, together with a check in payment for any fractional share and any Purchase Contract representing any Purchase Contracts evidenced hereby as to which Early Settlement is not effected, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares of Class A Common Stock or other securities, as applicable, are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto, as provided in the Purchase Contract Agreement.

Dated: _____

Signature

Signature Guarantee: _____

Number of Purchase Contracts evidenced hereby as to which Early Settlement is being elected:

If shares of Class A Common Stock or Purchase Contracts are to be registered in the name of and delivered to a Person other than the Holder, please print such Person's name and address:

REGISTERED HOLDER

Please print name and address of Registered Holder:

Name

Name

Address

Address

Social Security or other Taxpayer Identification Number, if any

SCHEDULE A

**SCHEDULE OF INCREASES OR DECREASES
IN THE PURCHASE CONTRACT**

The initial number of Purchase Contracts evidenced by this certificate is _____. The following increases or decreases in this certificate have been made:

<u>Date</u>	<u>Amount of increase in number of Purchase Contracts evidenced hereby</u>	<u>Amount of decrease in number of Purchase Contracts evidenced hereby</u>	<u>Number of Purchase Contracts evidenced hereby following such decrease or increase</u>	<u>Signature of authorized signatory of Purchase Contract Agent</u>
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K. HOVNIANIAN ENTERPRISES, INC.

12.072% SENIOR SUBORDINATED AMORTIZING NOTES DUE 2014

No. _____

Initial Number of Notes: _____

K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to Wilmington Trust Company, as attorney-in-fact of holder(s) of the Notes evidenced hereby, or its registered assigns (the “**Holder**”), the initial principal amount of \$4.526049 for each of the number of Notes set forth above, which number of Notes may from time to time be reduced or increased as set forth in Schedule A hereto, as appropriate, in accordance with the terms of the Indenture, but which number of Notes, taken together with the number of all other outstanding Notes, shall not exceed 3,000,000 Notes at any time (as increased by a number of Notes equal to the number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement), in equal quarterly installments (except for the first such payment) (each such payment, an “**Installment Payment**,” constituting a payment of interest at the rate per year of 12.072% and a partial repayment of principal) payable on each February 15, May 15, August 15 and November 15 commencing on May 15, 2011 (each such date, an “**Installment Payment Date**” and the period from, and including, February 9, 2011 to, but excluding, the first Installment Payment Date and each subsequent full quarterly period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date, an “**Installment Payment Period**”), all as set forth on the reverse hereof, with the final Installment Payment due and payable on February 15, 2014.

The Installment Payment on any Installment Payment Date shall be computed on the basis of a 360-day year consisting of twelve 30-day months. If an Installment Payment for any period shorter than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any Installment Payment Date is not a Business Day, then payment of the Installment Payment on such date will be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such installment payment shall be made on the immediately preceding Business Day, in each case

with the same force and effect as if made on the date when such Installment Payment was originally due. Installment Payments shall be paid to the Person in whose name the Note is registered, with limited exceptions, at the close of business on the Business Day immediately preceding the related Installment Payment Date (each, a “**Regular Record Date**”). If the Notes do not remain in book-entry only form, the Issuer shall have the right to select Regular Record Dates, noticed in writing in advance, to the Trustee and Holders, which will be more than 14 days but less than 60 days prior to the relevant Installment Payment Date. Installment Payments shall be payable at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, The City of New York or in Delaware; *provided, however*, that payment of Installment Payments may be made at the option of the Issuer by check mailed to the registered Holder at such address as shall appear in the Security Register or by wire transfer to an account appropriately designated by the Holder entitled to payment.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or obligatory for any purpose until the Certificate of Authentication shall have been manually signed by or on behalf of the Trustee.

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

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Dated: _____

K. HOVNANIAN ENTERPRISES, INC.

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

CERTIFICATE OF AUTHENTICATION

Wilmington Trust Company, as Trustee, certifies that this is one of the Securities of the series designated herein referred to in the within mentioned Indenture.

Dated:

WILMINGTON TRUST COMPANY, as
Trustee

By: _____
Authorized Signatory

REVERSE OF NOTE

K. HOVNANIAN ENTERPRISES, INC.

12.072% Senior Subordinated Amortizing Notes due 2014

This Note is one of a duly authorized series of Securities of the Note Issuer designated as its 12.072% Senior Subordinated Amortizing Notes due 2014 (herein sometimes referred to as the “Notes”), issued under the Senior Subordinated Indenture, dated as of February 9, 2011, among the Issuer, Hovnanian Enterprises, Inc. (“Hovnanian”) and Wilmington Trust Company, as trustee (the “Trustee,” which term includes any successor trustee under the Indenture) (including any provisions of the TIA that are deemed incorporated therein) (the “Base Indenture”), as supplemented by the First Supplemental Indenture, dated as of February 9, 2011 (the “First Supplemental Indenture”), among the Issuer, Hovnanian, the other Guarantors from time to time party thereto, and the Trustee (the Base Indenture and, as supplemented by the First Supplemental Indenture, the “Indenture”), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders. The terms of other series of Securities issued under the Indenture may vary with respect to interest rates, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture. The Indenture further provides that securities of a single series may be issued at various times, with different maturity dates and may bear interest at different rates. This series of Securities is limited in initial aggregate principal amount as specified in the First Supplemental Indenture.

Each installment shall constitute a payment of interest (at a rate of 12.072% per annum) and a partial repayment of principal on the Note, allocated as set forth in the schedule below:

<u>Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
May 15, 2011	\$ 0.337631	\$ 0.145703
August 15, 2011	\$ 0.326719	\$ 0.126406
November 15, 2011	\$ 0.336579	\$ 0.116546
February 15, 2012	\$ 0.346737	\$ 0.106388
May 15, 2012	\$ 0.357201	\$ 0.095924
August 15, 2012	\$ 0.367982	\$ 0.085143
November 15, 2012	\$ 0.379087	\$ 0.074038
February 15, 2013	\$ 0.390528	\$ 0.062597
May 15, 2013	\$ 0.402314	\$ 0.050811

<u>Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
August 15, 2013	\$ 0.414456	\$ 0.038669
November 15, 2013	\$ 0.426965	\$ 0.026160
February 15, 2014	\$ 0.439850	\$ 0.013275

The Notes shall not be subject to redemption at the option of the Issuer. However, a Holder shall have the right to require the Issuer to repurchase some or all of its Notes for cash at the Repurchase Price per Note and on the Repurchase Date, upon the occurrence of certain events and subject to the conditions set forth in the Indenture.

This Note is not entitled to the benefit of any sinking fund. The Indenture contains provisions for defeasance and covenant defeasance at any time of the indebtedness on this Note upon compliance by the Issuer with certain conditions set forth therein, which provisions apply to this Note.

If an Event of Default with respect to the Notes shall occur and be continuing, then (unless no declaration of acceleration or notice is required for such Event of Default) either the Trustee or the Holders of not less than 25% in principal amount of the Notes then outstanding may declare the aggregate principal amount of the Notes, and all interest accrued thereon, to be due and payable immediately, in the manner, subject to the conditions and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Issuer and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Securities at the time outstanding, to execute supplemental indentures for certain purposes as described therein.

No provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay Installment Payments on this Note at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

The Notes are guaranteed, on a senior subordinated basis, by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

The Notes are originally being issued as part of the 7.25% Tangible Equity Units (the “**Units**”) issued by Hovnanian and the Issuer pursuant to that certain Purchase Contract Agreement, dated as of February 9, 2011, between Hovnanian, the Issuer and Wilmington Trust Company, as Purchase Contract Agent, as Trustee under the Indenture and as attorney-in-fact for the holders of Purchase Contracts from time to time (the “**Purchase Contract Agreement**”). Holders of

the Units have the right to separate such Units into their constituent parts, consisting of Separate Purchase Contracts (as defined in the Purchase Contract Agreement) and Separate Notes, during the times, and under the circumstances, described in the Purchase Contract Agreement. Following separation of any Unit into its constituent Separate Note and Separate Purchase Contract, the Separate Notes are transferable independently from the Separate Purchase Contracts. In addition, Separate Notes can be recombined with Separate Purchase Contracts to recreate Units, as provided for in the Purchase Contract Agreement. Reference is hereby made to the Purchase Contract Agreement for a more complete description of the terms thereof applicable to the Units and Notes.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note shall be registered on the Security register of the Issuer, upon due presentation of this Note for registration of transfer at the office or agency of the Issuer in the Borough of Manhattan, The City of New York or in Delaware, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Note or Notes in authorized denominations and for a like aggregate principal amount.

The Notes are initially issued in registered, global form without coupons in denominations initially equal to \$4.526049 and integral multiples in excess thereof.

The Issuer or Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of this Note. No service charge shall be made for any such transfer or for any exchange of this Note as contemplated by the Indenture.

The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name this Note is registered upon the Security register for the Notes as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of the Indenture, interest, if any, on this Note and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Note and the Indenture, and any claim, controversy or dispute arising under or related to the Indenture or this Note, shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used but not defined in this Note shall have the meanings ascribed to such terms in the Indenture.

No recourse shall be had for the payment of any Installment Payment on this Note, or for any claim based hereon, or upon any obligation, covenant or agreement of the Issuer in the Indenture, against any incorporator, stockholder, officer or director, past, present or future of the Issuer or of any predecessor or successor, either directly or through the Issuer or of any successor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment of penalty or otherwise; and all such personal liability is expressly released and waived as a condition of, and as part of the consideration for, the issuance of this Note.

The Issuer and each Holder agrees, for United States federal income tax purposes, to treat the Notes as indebtedness of the Issuer.

If this Note is a component of a Unit, it shall be subject to the Section 382 Ownership Blocker (as defined in the Purchase Contract Agreement), and any purported violation of the Section 382 Ownership Blocker shall be subject to the consequences provided in the Indenture and the Purchase Contract Agreement.

In the event of any inconsistency between the provisions of this Note and the provisions of the Indenture, the Indenture shall prevail.

NOTATION ON NOTE RELATING TO GUARANTEE

GUARANTEE

The undersigned (the “**Guarantors**”) hereby unconditionally guarantee, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer thereunder or under the Notes, that (i) the due and punctual payment of the principal of, interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11 of the First Supplemental Indenture, if applicable), and all other amounts owing with respect to the Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, if lawful, and all other obligations of the Issuer to the Holders or the Trustee thereunder or under the Notes shall be promptly paid in full when due or performed in accordance with the terms of the Indenture and the Notes, including all amounts payable to the Trustee, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise (each such guarantee, a “**Guarantee**”).

The obligations of the Guarantors under this Guarantee are subordinated to all Senior Indebtedness of a Guarantor, as set forth in Article 7 of the First Supplemental Indenture.

No past, present or future stockholder, officer, director, employee or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee by reason of such Person’s status as stockholder, officer, director, employee or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

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

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

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES NY, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN ENTERPRISES, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF GEORGIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS LLC
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV INTERNATIONAL, INC.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT 4S, LLC
K. HOVNIANIAN AT ACQUA VISTA, LLC
K. HOVNIANIAN AT ALISO, LLC
K. HOVNIANIAN AT ALLENTOWN, L.L.C.
K. HOVNIANIAN AT ALMOND ESTATES, LLC
K. HOVNIANIAN AT ANDALUSIA, LLC
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC
K. HOVNIANIAN AT AVENUE ONE, L.L.C.
K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMDEN I, L.L.C.

K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CARMEL VILLAGE, LLC
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CRESTLINE, INC.
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 DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT DOVER, L.L.C.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNIANIAN AT ELK TOWNSHIP, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, L.L.C.
K. HOVNIANIAN AT EWING, L.L.C.
K. HOVNIANIAN AT FAIR OAKS, L.L.C.
K. HOVNIANIAN AT FIDDYMENT RANCH, LLC
K. HOVNIANIAN AT FIFTH AVENUE, 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 FRANKLIN II, L.L.C.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT FRESNO, LLC
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNIANIAN AT GILROY, LLC
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.
K. HOVNIANIAN AT GRIDLEY, LLC
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 HAZLET, L.L.C.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HUDSON POINTE, L.L.C.
K. HOVNIANIAN AT JACKSON I, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JAEGER RANCH, LLC
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT KEYPORT, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNIANIAN AT LA COSTA, LLC
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LA PAZ, LLC
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LANDMARK, LLC
K. HOVNIANIAN AT LARKSPUR, LLC
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 III, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LIVE OAK II, LLC
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 LOWER MORELAND III, L.L.C.
K. HOVNIANIAN AT MACUNGIE, L.L.C.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MALAN PARK, L.L.C.
K. HOVNIANIAN AT MANALAPAN III, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, L.L.C.
K. HOVNIANIAN AT MANSFIELD II, L.L.C.
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MANTECA, LLC
K. HOVNIANIAN AT MAPLE AVENUE, 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 MATSU, L.L.C.
K. HOVNIANIAN AT MELANIE MEADOWS, LLC
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MENIFEE, LLC
K. HOVNIANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNIANIAN AT MILLVILLE I, L.L.C.
K. HOVNIANIAN AT MILLVILLE II, L.L.C.
K. HOVNIANIAN AT MONROE II, INC.
K. HOVNIANIAN AT MONROE IV, L.L.C.
K. HOVNIANIAN AT MONROE NJ, L.L.C.
K. HOVNIANIAN AT MONTVALE, LLC
K. HOVNIANIAN AT MONTVALE II, L.L.C.
K. HOVNIANIAN AT MOSAIC, LLC
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MUIRFIELD, LLC
K. HOVNIANIAN AT NEW BRUNSWICK URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN. L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, 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 NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT OCEANPORT, L.L.C.
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PACIFIC BLUFFS, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PHILADELPHIA II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNIANIAN AT PITTSBORO, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.
K. HOVNIANIAN AT RANCHO 79, LLC
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT READINGTON II, L.L.C.
K. HOVNIANIAN AT RED BANK, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIDGESTONE, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RIVERCREST, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SANTA FE SPRINGS, LLC
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAVANNAH LAKE, L.L.C.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SIERRA ESTATES, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT SPARTA, L.L.C.
K. HOVNIANIAN AT SPRINGCO, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SUNSETS, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TEANECK, L.L.C.
K. HOVNIANIAN AT THE CLIFFS, LLC
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC

K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TRENTON, L.L.C.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT UNION 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 MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WARMINSTER, LLC
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS CIP, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF VIRGINIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONNECTICUT ACQUISITIONS, L.L.C.
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.

K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CONNECTICUT, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF INDIANA, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, 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 NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES — DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT PAYNE STREET, L.L.C.
K. HOVNIANIAN HOMES AT PRIMERA, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF INDIANA, L.L.C.

K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNIANIAN OF HOUSTON II, L.L.C.
K. HOVNIANIAN OHIO REALTY, L.L.C.
K. HOVNIANIAN OSTER HOMES, L.L.C.
K. HOVNIANIAN PA REAL ESTATE, INC.
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN STANDING ENTITY, L.L.C.
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF 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 T&C HOMES AT FLORIDA, L.L.C.
K. HOVNIANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNIANIAN T&C INVESTMENT, L.L.C.
K. HOVNIANIAN T&C MANAGEMENT CO., L.L.C.
K. HOVNIANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNIANIAN VENTURE I, L.L.C.
K. HOVNIANIAN WINDWARD HOMES, LLC
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAILEY'S GLENN, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT HUNTFIELD, 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 LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF MICHIGAN, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NATOMAS CENTRAL NEIGHBORHOOD HOUSING, L.L.C.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
REAL PROPERTY HOLDING — PRINCE GEORGE'S COUNTY, MD, LLC
RIDGEMORE UTILITY ASSOCIATES OF PENNSYLVANIA, L.L.C.
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
THE RESIDENCE AT DULLES PARKWAY CORPORATE CENTER, LLC
THE RESIDENCE AT GREENFIELD CROSSING, L.L.C.
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, LLC
WESTMINSTER HOMES OF TENNESSEE, INC.
WESTMINSTER HOMES, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WH/PR LAND COMPANY, L.L.C.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Note to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him or her.

Date: _____

Signature:

Signature Guarantee:

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

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SIGNATURE GUARANTEE

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

By: _____

Name:

Title:

as Trustee

By: _____

Name:

Title:

Attest

By: _____

Name:

Title:

[FORM OF REPURCHASE NOTICE]

TO: K. HOVNANIAN ENTERPRISES, INC.
WILMINGTON TRUST COMPANY, as Trustee

The undersigned registered Holder hereby irrevocably acknowledges receipt of a notice from K. Hovnanian Enterprises, Inc. (the "Issuer") regarding the right of Holders to elect to require the Issuer to repurchase the Notes and requests and instructs the Issuer to pay, for each Note designated below, the Repurchase Price for the such Note (determined as set forth in the Indenture), in accordance with the terms of the Indenture and the Notes, to the registered holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. The Notes shall be repurchased by the Issuer as of the Repurchase Date pursuant to the terms and conditions specified in the Indenture.

Dated: _____

Signature: _____

NOTICE: The above signature of the Holder hereof must correspond with the name as written upon the face of the Notes in every particular without alteration or enlargement or any change whatever.

Notes Certificate Number (if applicable): _____

Number of Notes to be repurchased (if less than all, must be one Note or integral multiples in excess thereof): _____

Social Security or Other Taxpayer Identification Number: _____

SCHEDULE A

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial number of Notes evidenced by this Global Note is _____.

The following increases or decreases in this Global Note have been made:

<u>Date</u>	<u>Amount of decrease in number of Notes evidenced hereby</u>	<u>Amount of increase in number of Notes evidenced hereby</u>	<u>Number of Notes evidenced hereby following such decrease (or increase)</u>	<u>Signature of authorized officer of Trustee</u>
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[FORM OF FACE OF PURCHASE CONTRACT]

[THIS SECURITY IS A GLOBAL PURCHASE CONTRACT WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE “**DEPOSITARY**”) TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

* Include only if a Global Purchase Contract.

HOVNANIAN ENTERPRISES, INC.

PURCHASE CONTRACTS

CUSIP No. 442487 138

ISIN No. US4424871386

No. _____ [Initial]* Number of Purchase Contracts: _____

This Purchase Contract certifies that [CEDE & CO., as nominee of The Depository Trust Company]* [_____]**, or its registered assigns (the “**Holder**”) is the registered owner of the number of Purchase Contracts set forth above[, which number may from time to time be reduced or increased as set forth on Schedule A hereto, as appropriate, in accordance with the terms of the Purchase Contract Agreement (as defined below), but which number of Purchase Contracts, taken together with the number of all other Outstanding Purchase Contracts, shall not exceed 3,000,000 Purchase Contracts at any time (as increased by a number equal to the aggregate number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement)]*.

Each Purchase Contract consists of the rights of the Holder under such Purchase Contract with the Company. All capitalized terms used herein which are defined in the Purchase Contract Agreement (as defined on the reverse hereof) have the meaning set forth therein.

Each Purchase Contract evidenced hereby obligates the Company to deliver to the Holder of this Purchase Contract on the Mandatory Settlement Date a number shares of Class A common stock, \$0.01 par value (“**Class A Common Stock**”), of the Company equal to the Settlement Rate, unless such Purchase Contract has settled prior to the Mandatory Settlement Date, all as provided in the Purchase Contract Agreement and more fully described on the reverse hereof.

This Purchase Contract is subject to the Section 382 Ownership Blocker and Section 382 Settlement Blocker, in each case, as provided in the Purchase Contract Agreement. Each Beneficial Holder of this Purchase Contract, by acquiring an interest in this Purchase Contract, represents and warrants to the Company that it is in compliance with the ownership limitations of the Section 382 Ownership Blocker (which representation and warranty is part of the consideration for the issuance of this Purchase Contract). Any purported violation of the Section 382 Ownership Blocker shall be subject to the consequences provided in the Purchase Contract Agreement.

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

[SIGNATURES ON THE FOLLOWING PAGE]

-
- * Include only if a Global Purchase Contract.
 - ** Include only if not a Global Purchase Contract.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

HOVNANIAN ENTERPRISES, INC.

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

Dated: _____

REGISTERED HOLDER(S) (as to
obligations of such holder(s) under the
Purchase Contracts evidenced hereby)

By: WILMINGTON TRUST
COMPANY, not individually but
solely as Attorney-in-Fact of such holder(s)

By: _____
Name:
Title:

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PURCHASE CONTRACT CERTIFICATE OF AUTHENTICATION OF
PURCHASE CONTRACT AGENT

This is one of the Purchase Contracts referred to in the within-mentioned Purchase Contract Agreement.

WILMINGTON TRUST COMPANY, as Purchase
Contract Agent

By: _____
Authorized Signatory

Dated: _____

[REVERSE OF PURCHASE CONTRACT]

Each Purchase Contract evidenced hereby is governed by a Purchase Contract Agreement, dated as of February 9, 2011 (as may be supplemented from time to time, the “**Purchase Contract Agreement**”), among Hovnanian Enterprises, Inc., a Delaware corporation (the “**Company**”), K. Hovnanian Enterprises, Inc., a California corporation (the “**Note Issuer**”) and Wilmington Trust Company, as Purchase Contract Agent (including its successors hereunder, the “**Purchase Contract Agent**”), as Trustee under the Indenture and as attorney-in-fact for the Holders of Purchase Contracts from time to time. Reference is hereby made to the Purchase Contract Agreement and supplemental agreements thereto for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Purchase Contract Agent, the Company and the Holders and of the terms upon which the Purchase Contracts are, and are to be, executed and delivered.

Each Purchase Contract evidenced hereby obligates the Company to deliver to the Holder of this Purchase Contract, on the Mandatory Settlement Date, a number of shares of Class A Common Stock equal to the Settlement Rate, unless such Purchase Contract has settled prior to the Mandatory Settlement Date, in either case, pursuant to the terms of the Purchase Contract Agreement.

No fractional shares of Class A Common Stock will be issued upon settlement of Purchase Contracts, as provided in Section 4.13 of the Purchase Contract Agreement.

The Purchase Contracts are issuable only in registered form and only in denominations of a single Purchase Contract and any integral multiple thereof. The transfer of any Purchase Contract will be registered and Purchase Contracts may be exchanged as provided in the Purchase Contract Agreement.

The Purchase Contracts are initially being issued as part of the 7.25% Tangible Equity Units (the “**Units**”) issued by the Company and the Note Issuer pursuant to the Purchase Contract Agreement. Holders of the Units have the right to separate such Units into their constituent parts, consisting of Separate Notes and Separate Purchase Contracts, during the times, and under the circumstances, described in the Purchase Contract Agreement. Following separation of any Unit into its constituent parts, the Separate Purchase Contracts are transferable independently from the Separate Notes. In addition, Separate Purchase Contracts can be recombined with Separate Notes to recreate Units, as provided for in the Purchase Contract Agreement.

The Holder of this Purchase Contract, by its acceptance hereof, authorizes the Purchase Contract Agent to enter into and perform the Purchase Contract

Agreement on its behalf as its attorney-in-fact and agrees to be bound by the terms and provisions thereof.

Subject to certain exceptions set forth in the Purchase Contract Agreement, the provisions of the Purchase Contract Agreement may be amended with the consent of the Holders of a majority of the Purchase Contracts.

The Purchase Contracts, and any claim, controversy or dispute arising under or related to the Purchase Contracts, shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company, the Purchase Contract Agent, and any agent of the Company or the Purchase Contract Agent, may treat the Person in whose name this Purchase Contract is registered as the owner of the Purchase Contracts, evidenced hereby, for the purpose of performance of the Purchase Contracts evidenced by such Purchase Contracts and for all other purposes whatsoever, and neither the Company nor the Purchase Contract Agent, nor any agent of the Company or the Purchase Contract Agent, shall be affected by notice to the contrary.

The Purchase Contracts shall not entitle the Holder to any of the rights of a holder of the Class A Common Stock or other Exchange Property, except as provided by the Purchase Contract Agreement.

Each Purchase Contract (whether or not included in a Unit) is a security governed by Article 8 of the Uniform Commercial Code as in effect in the State of New York on the date hereof.

A copy of the Purchase Contract Agreement is available for inspection at the offices of the Company.

In the event of any inconsistency between the provisions of this Purchase Contract and the provisions of the Purchase Contract Agreement, the Purchase Contract Agreement shall prevail.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM: as tenants in common

UNIF GIFT MIN ACT: _____ Custodian _____
(cust) (minor)
Under Uniform Gifts to Minors
Act of _____

TENANT: as tenants by the entireties

JT TEN: as joint tenants with rights of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

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

(Please insert Social Security or Taxpayer I.D. or other Identifying Number of Assignee)

(Please Print or Type Name and Address Including Postal Zip Code of Assignee)

the within Purchase Contracts and all rights thereunder, hereby irrevocably constituting and appointing attorney _____, to transfer said Purchase Contracts on the books of the Company with full power of substitution in the premises.

DATED: _____

Signature _____

Notice : The signature to this assignment must correspond with the name as it appears upon the face of the within Purchase Contracts in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee: _____

SETTLEMENT INSTRUCTIONS

The undersigned Holder directs that a certificate for shares of Class A Common Stock or other securities, as applicable, deliverable upon settlement of the number of Purchase Contracts evidenced by this Purchase Contract be registered in the name of, and delivered, together with a check in payment for any fractional share, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares of Class A Common Stock or other securities, as applicable, are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incidental thereto, as provided in the Purchase Contract Agreement.

Dated: _____

Signature
Signature Guarantee: _____
(if assigned to another Person)

If shares are to be registered in the name of and delivered to a Person other than the Holder, please (i) print such Person's name and address and (ii) provide a guarantee of your signature:

Name

Name

Address

Address

Social Security or other Taxpayer Identification Number, if any

ELECTION TO SETTLE EARLY

The undersigned Holder of this Purchase Contract hereby irrevocably exercises the option to effect Early Settlement (which Early Settlement may, as applicable, be deemed to be in connection with a Fundamental Change pursuant to Section 4.07 of the Purchase Contract Agreement) in accordance with the terms of the Purchase Contract Agreement with respect to the Purchase Contracts evidenced by this Purchase Contract as specified below. The undersigned Holder directs that a certificate for shares of Class A Common Stock or other securities, as applicable, deliverable upon such Early Settlement be registered in the name of, and delivered, together with a check in payment for any fractional share and any Purchase Contract representing any Purchase Contracts evidenced hereby as to which Early Settlement is not effected, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares of Class A Common Stock or other securities, as applicable, are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto, as provided in the Purchase Contract Agreement.

Dated: _____

Signature

Signature Guarantee: _____

Number of Purchase Contracts evidenced hereby as to which Early Settlement is being elected:

If shares of Class A Common Stock or Purchase Contracts are to be registered in the name of and delivered to a Person other than the Holder, please print such Person's name and address:

REGISTERED HOLDER

Please print name and address of Registered Holder:

SCHEDULE A

[SCHEDULE OF INCREASES OR DECREASES
IN THE PURCHASE CONTRACT]*

The initial number of Purchase Contracts evidenced by this certificate is _____. The following increases or decreases in this certificate have been made:

<u>Date</u>	<u>Amount of increase in number of Purchase Contracts evidenced hereby</u>	<u>Amount of decrease in number of Purchase Contracts evidenced hereby</u>	<u>Number of Purchase Contracts evidenced hereby following such decrease or increase</u>	<u>Signature of authorized signatory of Purchase Contract Agent</u>
-------------	--	--	--	---

* Include only if a Global Purchase Contract.

** Include only if not a Global Purchase Contract.

**K. HOVNIANIAN ENTERPRISES, INC.
HOVNIANIAN ENTERPRISES, INC.
AND THE OTHER GUARANTORS PARTY HERETO
12.072% Senior Subordinated Amortizing Notes due 2014
First Supplemental Indenture
Dated as of February 9, 2011
Supplement to Indenture Dated as of February 9, 2011
WILMINGTON TRUST COMPANY,
as Trustee**

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SCHEDULE:

1. Guarantors

EXHIBIT:

A. Form of Note

B. Form of Supplemental Indenture

FIRST SUPPLEMENTAL INDENTURE dated as of February 9, 2011 (“**Supplemental Indenture**”) by and among K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNIANIAN ENTERPRISES, INC., a Delaware Corporation (“**Hovnanian**”), each of the Guarantors (as defined herein) and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as trustee (the “**Trustee**”), supplementing the Senior Subordinated Indenture dated as of February 9, 2011 by and among the Issuer, Hovnanian and Wilmington Trust Company (the “**Base Indenture**” and, as supplemented by this Supplemental Indenture, the “**Indenture**”).

RECITALS OF THE ISSUER:

WHEREAS, Hovnanian and the Issuer have duly authorized the execution and delivery of the Base Indenture to provide for the issuance from time to time of the Issuer’s unsecured senior subordinated debt securities (the “**Securities**”) and the Guarantees thereof to be issued in one or more series as in the Indenture provided;

WHEREAS, the Issuer, Hovnanian and the other Guarantors desire and have requested the Trustee to join them in the execution and delivery of this Supplemental Indenture in order to establish and provide for the issuance by the Issuer of a series of Securities designated as its 12.072% Senior Subordinated Amortizing Notes due 2014 (the “**Notes**,” and each \$4.526049 of initial principal amount of such Securities, a “**Note**”), substantially in the form attached hereto as Exhibit A and guaranteed by Hovnanian and the other Guarantors (as defined herein), on the terms set forth herein;

WHEREAS, the Issuer now wishes to issue Notes in an initial aggregate principal amount of \$13,578,147 (as increased by an amount equal to the Initial Principal Amount *multiplied by* the number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement), each Note initially to be issued as a component of the Units (as defined herein) being issued on the date hereof by Hovnanian and the Issuer pursuant to the Purchase Contract Agreement, dated as of February 9, 2011, among Hovnanian, the Issuer and Wilmington Trust Company, as Purchase Contract Agent, as Trustee and as attorney-in-fact for the holders of Purchase Contracts from time to time (the “**Purchase Contract Agreement**”);

WHEREAS, Section 8.1 of the Base Indenture provides that a supplemental indenture may be entered into without the consent of the holders of any Securities by the Issuer, Hovnanian and the other Guarantors, and the Trustee for such purpose provided certain conditions are met;

WHEREAS, the conditions set forth in the Base Indenture for the execution and delivery of this Supplemental Indenture have been complied with; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, Hovnanian and the other Guarantors, and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Base Indenture have been done;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

In consideration of the premises and the purchase and acceptance of the Notes by the Holders thereof, the Issuer, Hovnanian and the other Guarantors mutually covenant and agree with the Trustee, for the equal and ratable benefit of the Holders of the Notes, that the Base Indenture is supplemented and amended, to the extent expressed herein, as follows:

ARTICLE 1

SCOPE OF SUPPLEMENTAL INDENTURE; GENERAL

Section 1.01. *Scope of Supplemental Indenture; General.* This Supplemental Indenture supplements, and to the extent inconsistent therewith, replaces the provisions of the Base Indenture, to which provisions reference is hereby made.

The changes, modifications and supplements to the Base Indenture effected by this Supplemental Indenture shall be applicable only with respect to, and govern the terms of, the Notes (which shall be initially in the aggregate principal amount of \$13,578,147 (as increased by an amount equal to the Initial Principal Amount *multiplied* by the number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement)) and shall not apply to any other Securities that may be issued under the Indenture unless a supplemental indenture with respect to such other Securities specifically incorporates such changes, modifications and supplements. Pursuant to this Supplemental Indenture, there is hereby created and designated a series of Securities under the Indenture entitled "12.072% Senior Subordinated Amortizing Notes due 2014." The Notes may be issued in accordance with the provisions of Article Two of the Base Indenture, as modified pursuant to the terms hereof. The Notes shall be guaranteed by the Guarantors as provided in such form and the Indenture.

ARTICLE 2
CERTAIN DEFINITIONS

Section 2.01. *Certain Definitions.* Section 1.1 of the Base Indenture is hereby amended by adding the following definitions in their proper alphabetical order which, in the event of a conflict with the definition of terms in the Base Indenture, shall govern. Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Base Indenture.

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

“**Applicable Debt**” means all Indebtedness of Hovnanian or the Issuer under the Issuer’s or Hovnanian’s senior notes and senior subordinated notes outstanding on the Issue Date.

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

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

“**Base Indenture**” has the meaning ascribed to it in the preamble hereof.

“**Business Day**” means any day other than a Saturday, Sunday or any day on which banking institutions in New York, New York are authorized or obligated by applicable law or executive order to close or be closed.

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

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person’s capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date.

“**Certificated Note**” means a Note definitive registered form without interest coupons.

“**Certificate of Incorporation**” means the Certificate of Incorporation of the Issuer as in effect on the Issue Date.

“**Class A Common Stock**” means the Class A common stock, par value \$0.01 per share, of Hovnanian as it existed on the Issue Date.

“**close of business**” means 5:00 p.m. (New York City time).

“**Component Note**” means a Note in global form and attached to a Global Unit that (a) shall evidence the number of Notes specified therein that are components of the Units evidenced by such Global Unit, (b) shall be registered on the security register for the Notes in the name of Wilmington Trust Company, as attorney-in-fact of holder(s) of the Units of which such Notes form a part, and (c) shall be held by the Purchase Contract Agent as attorney-in-fact for such holder(s), together with the Global Unit, as custodian of such Global Unit for the Depository.

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

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

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

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

“**DTC**” has the meaning ascribed to such term in Section 9.05 hereof.

“**Early Mandatory Settlement Date**” has the meaning ascribed to it in the Purchase Contract Agreement.

“**Early Mandatory Settlement Notice**” has the meaning ascribed to it in the Purchase Contract Agreement.

“**Early Mandatory Settlement Rate**” has the meaning ascribed to it in the Purchase Contract Agreement.

“**Early Mandatory Settlement Right**” has the meaning ascribed to it in the Purchase Contract Agreement.

“**Event of Default**” means any event specified as such in Section 4.02(a) hereof.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and any statute successor thereto, in each case as amended from time to time, together with the rules and regulations promulgated thereunder.

“**Excess Equity-Linked Securities**” has the meaning ascribed to it in the Purchase Contract Agreement.

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

“**Fundamental Change**” has the meaning ascribed to such term in the Purchase Contract Agreement.

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

“**Global Note**” has the meaning ascribed to such term in Section 9.01(b) hereof.

“**Global Note Holder**” has the meaning ascribed to such term in Section 9.05 hereof.

“**Global Unit**” has the meaning ascribed to such term in the Purchase Contract Agreement.

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods,

securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that the term “**guarantee**” does not include endorsements for collection or deposit in the ordinary course of business. The term “**guarantee**” used as a verb has a corresponding meaning.

“**Guarantee**” has the meaning ascribed to it in Section 5.02.

“**Guarantee Initial Period**” has the meaning ascribed to it in Section 7.03(c).

“**Guarantee Notation**” means a Guarantee Notation substantially in the form included in the form of Note attached as Exhibit A hereto.

“**Guarantee Payment Blockage Period**” has the meaning ascribed to it in Section 7.03(c).

“**Guarantors**” means (a) initially, Hovnanian and each of the other Guarantors signatory hereto as set forth on Schedule 1 hereto, and (b) each of Hovnanian’s Subsidiaries that executes a supplemental indenture in the form of Exhibit B to this Supplemental Indenture providing for the guarantee of the payment of the Notes, or any successor obligor under its Guarantee pursuant to Article Nine of the Base Indenture (as modified by Section 3.07), in each case, unless and until such Guarantor is released from its Guarantee pursuant to the Indenture.

“**Holder**”, “**Holder of Securities**”, “**securityholder**” and similar terms mean in the case of a Note, the Person in whose name such Note is registered in the books of the security register for the Notes.

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

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

(a) any liability of such Person (i) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instruments issued for the benefit of, or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the

ordinary course of business), (ii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof is not required to be recorded as a liability in accordance with GAAP), or (iii) in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof);

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee, *provided, however*, that Indebtedness of the Issuer or any Guarantor will not include the obligations of the Issuer or such Guarantor under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof;

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

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

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

“**Indenture**” has the meaning ascribed to it in the preamble hereof.

“**Initial Period**” has the meaning ascribed to it in Section 6.03(c).

“**Initial Principal Amount**” means \$4.526049 per Note.

“**Installment Payment**” has the meaning ascribed to it in Section 9.02(a).

“**Installment Payment Date**” means each February 15, May 15, August 15 and November 15, commencing on May 15, 2011 and ending on the Maturity Date.

“**Installment Payment Period**” means the period from, and including, the Issue Date to, but excluding, the first Installment Payment Date and each subsequent full quarterly period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date.

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

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

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

“**Issue Date**” means February 9, 2011.

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

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

“**Maturity Date**” means February 15, 2014.

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

“**Non-Payment Default**” means any event (other than a Payment Default), the occurrence of which entitles one or more Persons to accelerate the maturity of any Senior Indebtedness of the Issuer or any Senior Indebtedness of a Guarantor.

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

“**Note**” and “**Notes**” have the respective meanings ascribed to such terms in the preamble hereof and includes, for the avoidance of doubt, both Separate Notes and Notes that constitute part of a Unit.

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

“**Payment Blockage Period**” has the meaning ascribed to it in Section 6.03(c).

“**Payment Default**” means any default in the payment of principal of or interest on any Senior Indebtedness of the Issuer or any Senior Indebtedness of a Guarantor beyond any applicable grace period with respect thereto.

“**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 Contract**” means a prepaid stock purchase contract obligating Hovnanian to deliver shares of Class A Common Stock on the terms and subject to the conditions set forth in the Purchase Contract Agreement.

“**Purchase Contract Agent**” means Wilmington Trust Company until a successor Purchase Contract Agent shall have become such pursuant to the applicable provisions of the Purchase Contract Agreement, and thereafter “**Purchase Contract Agent**” shall mean such Person.

“**Purchase Contract Agreement**” has the meaning ascribed to it in the preamble hereof.

“**Registrar**” means a Person engaged to maintain the security register for the Notes.

“**Regular Record Date**” means, with respect to any Installment Payment Date (a) the close of business on the Business Day immediately preceding such Installment Payment Date, or (b) if the Notes are not then in book-entry form, a date selected by the Issuer, and notified in writing, in advance, to the Trustee and Holders, which date shall be more than 14 days but less than 60 days prior to such Installment Payment Date.

“**Repurchase Date**” shall be a date specified by Hovnanian in the Early Mandatory Settlement Notice, which date shall be at least 20 but not more than 45 Business Days following the date of the Early Mandatory Settlement Notice and which may or may not fall on the Early Mandatory Settlement Date.

“**Repurchase Notice**” means a notice in the form entitled “Form of Repurchase Notice” on the reverse side of the Notes.

“**Repurchase Price**” means, with respect to a Note to be repurchased pursuant to Article 11, an amount equal to the principal amount of such Note as of the Repurchase Date, *plus* accrued and unpaid interest, if any, on such principal amount from, and including, the most recent Installment Payment Date (or, if none, from, and including, the Issue Date) to, but excluding, such Repurchase

Date, calculated at a rate of 12.072% per annum; *provided* that, if the Notes are Certificated Notes and the Repurchase Date falls after a Regular Record Date and on or prior to the immediately succeeding Installment Payment Date, the Installment Payment payable on such Installment Payment Date will be paid on such Installment Payment Date to the Holder as of such Regular Record Date and shall not be included in the Repurchase Price per Note.

“**Repurchase Right**” has the meaning ascribed to it in Section 11.01.

“**Securities**” has the meaning ascribed to it in the preamble hereof.

“**Senior Indebtedness**” of any Person means:

- (a) all Indebtedness of such Person;
- (b) lease obligations of such Person;
- (c) all Indebtedness, secured or unsecured, in connection with the acquisition or improvement of any Property or asset or acquisition of any business by such Person;
- (d) all Indebtedness secured by a mortgage, Lien, pledge, charge or encumbrance upon Property owned by such Person and all Indebtedness secured in the manner specified in this clause (d) even if such Person has not assumed or become liable for the payment thereof;
- (e) all customer deposits held in escrow accounts by such Person pending closing of the related sales;
- (f) all Indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person or otherwise representing the deferred and unpaid balance of the purchase price of any such Property, including all Indebtedness created or arising in the manner specified in this clause (f) even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property;
- (g) guarantees by such Person, direct or indirect, of any Indebtedness of another Person of the types referred to in clauses (a) through (f); and
- (h) contingent obligations of such Person in respect of, or to purchase or otherwise acquire or be responsible or liable for through the purchase of products or services irrespective of whether such products are delivered or such services are rendered, any such Indebtedness referred to in clauses (a) through (f);

which Indebtedness, lease obligation, deposit, guarantee or contingent obligation such Person has directly or indirectly created, incurred, assumed, guaranteed or otherwise become liable or responsible for, whether currently outstanding or hereafter created. All references to Indebtedness include any Indebtedness that renews, extends, refunds, amends or modifies any such Indebtedness; *provided, however*, that, with respect to the Issuer and the Guarantors, “**Senior Indebtedness**” does not include, without limitation:

- (i) the Notes and the Guarantees;
- (ii) the Issuer’s 8 $\frac{1}{8}$ % Senior Subordinated Notes due 2012 and related senior subordinated guarantees;
- (iii) the Issuer’s 7 $\frac{3}{4}$ % Senior Subordinated Notes due 2013 and related senior subordinated guarantees;
- (iv) accounts payable or any other indebtedness to trade creditors created or assumed by the Issuer or a Guarantor in the ordinary course of business in connection with the obtaining of materials or services;
- (v) any liability for federal, state or local taxes owed or owing by the Issuer or a Guarantor;
- (vi) all obligations of the Issuer or a Guarantor (other than Hovnanian) owed to Hovnanian or any Subsidiary of Hovnanian; and
- (vii) any Indebtedness as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness is on a parity with or otherwise not superior in right of payment to the Notes or the Guarantees, as applicable.

“**Separate Note**” means a Note that has been separated from a Unit in accordance with the terms of the Purchase Contract Agreement.

“**Separate Purchase Contract**” means a Purchase Contract that has been separated from a Unit in accordance with the terms of the Purchase Contract Agreement.

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

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

“**Successor**” has the meaning ascribed to it in Section 3.07(b)(i).

“**Supplemental Indenture**” has the meaning ascribed to it in the preamble hereof.

“**TIA**” means the Trust Indenture Act of 1939, as amended from time to time.

“**Trustee**” means the party named in the preamble hereof until a successor replaces such party in accordance with the applicable provisions of the Indenture and thereafter means the successor serving hereunder.

“**Underwriters**” has the meaning ascribed to it in the Underwriting Agreement.

“**Underwriting Agreement**” means the Underwriting Agreement, dated as of February 3, 2011, between Hovnanian, the Issuer, the Guarantors named in Schedule B thereto and the Underwriters named therein, relating to the Units.

“**Unit**” means the collective rights of a Holder of a 7.25% Tangible Equity Unit, with a stated amount of \$25, issued by Hovnanian and the Issuer pursuant to the Purchase Contract Agreement, each consisting of a single Purchase Contract and a single Note prior to separation or subsequent to recreation thereof pursuant to the Purchase Contract Agreement.

Section 2.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided, an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP.

ARTICLE 3 COVENANTS

Section 3.01. *Existence.* Hovnanian and the Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each of the other Guarantors in accordance with their respective organizational documents, and the material rights, licenses and franchises of Hovnanian, the Issuer and each other Guarantor; *provided that*

Hovnanian and the Issuer are not required to preserve any such right, license or franchise, or the existence of any other Guarantor, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Hovnanian, the Issuer and the other Guarantors taken as a whole; and *provided further* that this Section 3.01 shall not prohibit any transaction otherwise permitted by Section 3.07.

Section 3.02. *Payment of Taxes and Other Claims.* Hovnanian shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon Hovnanian or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of Hovnanian or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Section 3.03. *Maintenance of Properties and Insurance.* (a) Hovnanian shall cause all properties used or useful in the conduct of its business or the business of any other Guarantor to be maintained and kept in good condition, repair and working order as in the judgment of Hovnanian may be necessary so that the business of Hovnanian and the other Guarantors may be properly and advantageously conducted at all times; *provided* that nothing in this Section prevents Hovnanian or any other Guarantor from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of Hovnanian, desirable in the conduct of the business of Hovnanian and the other Guarantors taken as a whole.

(b) Hovnanian shall provide or cause to be provided, for itself and the other Guarantors, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which Hovnanian and the other Guarantors are then conducting business.

Section 3.04. *Limitations on Senior Subordinated Indebtedness.* Hovnanian and the Issuer shall not, and shall not cause or permit any other Guarantor to, incur any Indebtedness that is subordinate in right of payment to any Senior Indebtedness of the Issuer or of a Guarantor, as the case may be, unless such Indebtedness is *pari passu* with, or subordinated in right of payment to, the Notes or any Guarantee; *provided* that the foregoing limitation shall not

apply to distinctions between categories of Senior Indebtedness of the Issuer or of a Guarantor, as the case may be, that exist by reason of any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness of the Issuer or of a Guarantor, as the case may be, or priorities of paydown, from proceeds of collateral or otherwise, among classes or tranches of any issue of Senior Indebtedness of the Issuer or of a Guarantor, as the case may be.

Section 3.05. *Annual Reports.* Hovnanian is required to deliver to the Trustee an annual statement regarding compliance with the Indenture, and include in such statement, if any officer of Hovnanian or the Issuer is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action Hovnanian is taking or proposes to take with respect thereto. In addition, Hovnanian is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

Section 3.06. *Guarantees by Subsidiaries.* Hovnanian and each Subsidiary set forth on Schedule 1 hereto shall provide a Guarantee. Hovnanian shall be permitted to cause any other Subsidiary of Hovnanian to provide a Guarantee. If any Subsidiary of Hovnanian that is not a Guarantor at any time after the date of this Supplemental Indenture guarantees the Issuer's obligations under any Applicable Debt then outstanding, such Subsidiary must provide a Guarantee.

A Subsidiary required to provide a Guarantee pursuant to Section 5.04 or the immediately preceding sentence shall execute a Guarantee Notation, execute a supplemental indenture in the form of Exhibit B hereto, and deliver an Opinion of Counsel to the Trustee to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and constitutes a valid and binding obligation of such Subsidiary, enforceable against such Subsidiary in accordance with its terms (subject to customary exceptions).

Section 3.07. *Limitations on Mergers, Consolidations and Sales of Assets.* (a) This Section 3.07 shall replace the provisions contained in Sections 9.1 and 9.2 of the Base Indenture in their entirety and all references to Sections 9.1 and 9.2 in the Base Indenture or any provision thereof shall be deemed, for the purposes of the Notes, to be references to this Section 3.07.

(b) Neither the Issuer nor any Guarantor shall consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or the Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the

Issuer or a Guarantor is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the 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 Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture; and

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

The foregoing provisions shall not apply to (A) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 5.04, or (B) a transaction the sole purpose of which is to change the state of incorporation of the Issuer or any Guarantor.

Section 3.08. *Applicability of Covenants Contained in the Base Indenture.* Each of the agreements and covenants of the Issuer and/or Hovnanian, as applicable, contained in Article Three of the Base Indenture shall apply to the Notes.

ARTICLE 4 DEFAULTS AND REMEDIES

Section 4.01. *Amendments to Article Five of the Base Indenture.* Article Five of the Base Indenture is modified as set forth in this Article 4. All references in the Base Indenture to Article Five of the Base Indenture or any provision thereof shall be deemed, for the purposes of the Notes, to be references to such provision of the Base Indenture as modified by this Article 4.

Section 4.02. *Events of Default.*

(a) “**Event of Default**” means any one or more of the following events (and shall not include any of the events set forth in the first paragraph of Section 5.1 of the Base Indenture):

- (i) the failure by the Issuer and the Guarantors to pay the Repurchase Price of any Notes when the same shall become due and payable;
- (ii) the failure by the Issuer and the Guarantors to pay any Installment Payment on any Notes as and when the same shall become due and payable and continuance of such failure for a period of 30 days;
- (iii) the failure by Hovnanian to give notice of a Fundamental Change when any such notice is due pursuant to the terms of the Purchase Contract Agreement;
- (iv) the failure by the Issuer or any Guarantor to comply with any of its other agreements or covenants in, or provisions of, the Notes, the Guarantees or the Indenture and such failure continues for the period and after the notice specified in Section 4.02(b) below (except in the case of a default under Section 3.07, which will constitute an Event of Default with notice but without passage of time);
- (v) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Issuer or any Guarantor 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;
- (vi) the failure by the Issuer or any Guarantor 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 Issuer or any Guarantor within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
- (vii) 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 Issuer or any Guarantor and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;
- (viii) the Issuer or any Guarantor that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:
 - (A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(D) makes a general assignment for the benefit of creditors;

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

(A) is for relief against the Issuer or any Guarantor that is a Significant Subsidiary as debtor in an involuntary case;

(B) appoints a Custodian of the Issuer or any Guarantor that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Issuer or any Guarantor that is a Significant Subsidiary; or

(C) orders the liquidation of the Issuer or any Guarantor that is a Significant Subsidiary,

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

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

(b) A Default as described in Section 4.02(a)(iv) above shall not be deemed an Event of Default until the Trustee notifies the Issuer, or the Holders of at least 25% in principal amount of the then outstanding Notes notify the Issuer and the Trustee, of the Default (except in the case of a default with respect to Section 3.07 hereof) and the Issuer does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

(c) The second and third paragraphs of Section 5.1 of the Base Indenture shall be deemed to be replaced, with respect to the Notes, in their entirety, with the following:

“If an Event of Default (other than an Event of Default with respect to Hovnanian or the Issuer resulting from Section 4.02(a)(viii) or (ix)), shall have occurred and be continuing under the Indenture, the Trustee by notice to the Issuer, or the Holders of at least 25% in principal amount of the Notes then outstanding by notice to the Issuer and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes shall be due and payable immediately. If an Event of Default with respect to Hovnanian or the Issuer specified in Section 4.02(a)(viii) or (ix) occurs, such an amount shall *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee, the Issuer, any Guarantor or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured Installments Payments, if any, upon all of the Notes and the principal of any and all Notes which shall have become due otherwise than by acceleration (with interest on overdue amounts, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Notes to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due the Trustee under Section 6.6 of the Base Indenture, and if (i) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) any and all existing Events of Default, other than the nonpayment of any principal of and interest on the Notes (including, without limitation, Installment Payments) that shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.7 of the Base Indenture, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then Outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.”

(d) The fifth paragraph of Section 5.1 of the Base Indenture shall be deemed to be replaced, with respect to the Notes, in its entirety, with the following:

“Except with respect to an Event of Default pursuant to Section 4.02(a)(i) or (ii), the Trustee shall not be charged with knowledge of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge of such Default or Event of Default, or written notice thereof shall have been given to a Responsible Officer by the Issuer or any Holder of the Notes.”

Section 4.03. *Notice of Defaults.* This Section 4.03 replaces Section 5.8 of the Base Indenture in its entirety. The Trustee shall, within 90 days after the occurrence of a default, with respect to the Notes, mail to all Holders of the Notes, as the names and the addresses of such Holders appear upon the Securities register, at the Issuer’s expense, notice of all defaults known to the Trustee with respect to the Notes, unless such defaults shall have been cured before the giving of such notice (the term “**defaults**” for the purpose of this Section 4.03 being hereby defined to be any Event of Default defined in Section 4.02, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in Section 4.02(a)(iv) but in the case of any default of the character specified in Section 4.02(a)(iv) no such notice to Holders shall be given until at least 60 days after the giving of written notice thereof to the Issuer pursuant to Section 4.02(a)(iv)); *provided, however*, that, except in the case of default in the payment of any Installment Payment or any default resulting from a failure to comply with any obligation under Article 11, the Trustee shall be protected in withholding such notice if and so long as the Trustee determines that the withholding of such notice is in the Holders’ interests.

Section 4.04. *Additional Provisions Related to Events of Default.* The provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, and 5.9 of the Base Indenture shall apply to the Notes, in each case, except as provided above.

ARTICLE 5 GUARANTEES; RELEASE OF GUARANTOR

Section 5.01. *Base Indenture Guarantee.* Article Fourteen of the Base Indenture is hereby replaced in its entirety by this Article 5 and by Article 7 herein. All references in the Base Indenture to Article Fourteen or any provision thereof shall be deemed, for the purposes of the Notes, to be references to this Article 5 (to the extent that such references relate to the Guarantees) and to Article 7 (to the extent that such references relate to subordination of the Guarantees), and all references in the Base Indenture to “Guarantees” shall be deemed, for the purposes of the Notes, to be references to the Guarantees as defined herein.

Section 5.02. *Unconditional Guarantee.* Each of the Guarantors hereby unconditionally guarantees, jointly and severally, to each Holder and to the

Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that (i) the due and punctual payment of the principal of, interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable), and all other amounts owing with respect to the Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, if lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due or performed in accordance with the terms hereof and thereof, including all amounts payable to the Trustee, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise (each such guarantee, a “**Guarantee**”).

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity or enforceability of the Notes, the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 5, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 5.02 shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed agent.

Section 5.03. *Obligations of Each Guarantor Unconditional.* Nothing contained in this Article 5 or elsewhere in the Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, which are absolute and unconditional, to pay to the Holders the principal of and interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of

any Notes payable pursuant to Article 11, if applicable) as and when the same shall become due and payable in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of the Issuer, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under the Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 5, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 5.

Section 5.04. *Release of a Guarantor.* Upon the release of the guarantee by a Guarantor under all then outstanding Applicable Debt, the Guarantee of such Guarantor under the Indenture shall be automatically and unconditionally released and discharged from all obligations in respect of the Notes upon notice from Hovnanian to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder of the Notes. If any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed), then such released Guarantor shall guarantee the Notes on the terms and conditions set forth in the Indenture.

Section 5.05. *Execution and Delivery of Guarantee.* The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed Guarantee Notation substantially in the form included in the form of Note attach as Exhibit A hereto evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee set forth in the Indenture on behalf of each Guarantor.

Section 5.06. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the Bankruptcy Law or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each

Guarantor under its Guarantee are limited to the maximum amount that, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under the Indenture, will result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than Hovnanian that makes a payment or distribution under a Guarantee shall be entitled to a contribution from each other Guarantor in an amount *pro rata*, based on the net assets of each Guarantor, determined in accordance with GAAP.

Section 5.07. *Article 5 Not to Prevent Events of Default.* The failure by the Guarantors to make a payment on account of principal or interest (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable), on the Notes by reason of any provision in this Article 5 shall not be construed as preventing the occurrence of any Event of Default.

Section 5.08. *Waiver by the Guarantors.* Each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in the Indenture and in this Article 5.

Section 5.09. *Subrogation and Contribution.* Upon making any payment with respect to any obligation of the Issuer under this Article 5, the Guarantor making such payment shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided* that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

Section 5.10. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Issuer under the Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of the Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

Section 5.11. *Guarantors as “obligors” for Provisions Included in the Indenture Pursuant to the TIA.* Each provision included in the Indenture which is required to be included by any of Sections 310 to 317 of the TIA, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the TIA, and which applies to an “obligor,” as that term is defined under the TIA, shall apply to each of the Guarantors.

ARTICLE 6
SUBORDINATION OF NOTES

Section 6.01. *Applicability of Base Indenture.* Article Thirteen of the Base Indenture is hereby replaced in its entirety by this Article 6. All references in the Base Indenture to Article Thirteen or any provision thereof shall be deemed, for the purposes of the Notes, to be references to this Article 6.

Section 6.02. *Notes Subordinated to Senior Indebtedness of the Issuer.* The Issuer covenants and agrees, and each Holder of the Notes by its acceptance thereof likewise covenants and agrees, that the payment of the principal and interest (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) on the Notes shall be subordinated in right of payment, to the extent provided in this Article 6, to the prior payment in full when due of all Senior Indebtedness of the Issuer. The obligations of the Issuer in respect of the Notes shall rank on a parity with the obligations of the Issuer under the Issuer’s 8% Senior Subordinated Notes due 2012 and 7¾% Senior Subordinated Notes due 2013.

This Article 6 shall constitute a continuing offer to all Persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Indebtedness of the Issuer, and such provisions are made for the benefit of the holders of Senior Indebtedness of the Issuer, and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

Section 6.03. *Issuer Not To Make Payments with Respect to Notes in Certain Circumstances.*

(a) Upon the maturity of the principal of any Senior Indebtedness of the Issuer (other than payment of sinking fund installments) by lapse of time, acceleration or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness of the Issuer, before any payment is made on account of the principal of or interest on the Notes (including, without limitation, any Installment Payments) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price

payable with respect to any Notes pursuant to Article 11, if applicable) or any deposit is made pursuant to Article 8 hereof.

(b) Unless Section 6.04 shall be applicable, upon (i) the occurrence of a Payment Default with respect to any Senior Indebtedness of the Issuer and receipt by the Issuer and the Trustee of written notice of such occurrence or (ii) upon the acceleration of such Senior Indebtedness of the Issuer, then no payment or distribution of any assets of the Issuer of any kind or character shall be made by the Issuer or the Trustee on account of principal of or interest on the Notes (including, without limitation, any Installment Payment) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) and no deposit shall be made pursuant to Article 8 hereof, unless and until such Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Indebtedness of the Issuer shall have been discharged, after which the Issuer shall resume making any and all required payments in respect of the Notes, including any missed payments.

(c) Unless Section 6.04 shall be applicable, upon (i) the occurrence of a Non-Payment Default and (ii) receipt by the Trustee of written notice of such occurrence, then no payment or distribution of any assets of the Issuer of any kind or character shall be made by the Issuer or the Trustee on account of any principal of or interest on the Notes (including, without limitation, any Installment Payment) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) and no deposit shall be made pursuant to Article 8 hereof for a period (“**Payment Blockage Period**”) commencing upon receipt by the Trustee of such written notice from the holders of Senior Indebtedness of the Issuer or any representative of a holder of Senior Indebtedness of the Issuer unless and until (subject to any blockage of payment that may then be in effect under subsection (a) or (b) of this Section 6.03) the earlier of (A) more than 120 days shall have elapsed since receipt of such written notice by the Trustee, (B) such Non-Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Indebtedness of the Issuer shall have been discharged or (C) such Payment Blockage Period shall have been terminated by written notice to the Issuer or to the Trustee from the holders of the Senior Indebtedness of the Issuer or any representative of the holders of the Senior Indebtedness of the Issuer that initiated such Payment Blockage Period, after which, in the case of clause (A), (B) or (C), the Issuer shall promptly resume making any and all required payments in respect of the Notes, including any missed payments. In no event shall a Payment Blockage Period extend beyond 120 days from the date of the receipt by the Trustee of the notice referred to in clause (ii) hereof (the “**Initial Period**”). Any number of additional Payment Blockage Periods may be commenced during the Initial Period;

provided, however, that no such additional period shall extend beyond the Initial Period. After the expiration of the Initial Period, no Payment Blockage Period may be commenced on the basis of a Non-Payment Default on the Senior Indebtedness of the Issuer that was the basis of a Payment Blockage Period commenced during the Initial Period until at least 270 consecutive days have elapsed from the last day of the Initial Period. No Non-Payment Default with respect to Senior Indebtedness of the Issuer that existed or was continuing on the date of the commencement of any Payment Blockage Period and of which the applicable holder(s) of Senior Indebtedness of the Issuer are aware shall be, or can be made, the basis for the commencement of a second Payment Blockage Period whether or not within a period of 270 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days.

(d) In the event that notwithstanding the provisions of this Section 6.03 the Issuer shall make any payment or distribution of any character to the Trustee on account of the principal of or interest on the Notes (including, without limitation, any Installment Payment) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) or any deposit pursuant to Article 8 hereof after the happening of an event of default with respect to any Senior Indebtedness of the Issuer based on a default in the payment of the principal of or interest on Senior Indebtedness of the Issuer, or after receipt by the Trustee of written notice as provided in this Section 6.03 of an event of default with respect to any Senior Indebtedness of the Issuer, or after the acceleration of the Notes, then, but only if the Trustee is in receipt of the notice specified in Section 6.07, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, or such acceleration shall have been rescinded, such payment or deposit (subject to the provisions of Section 6.06 and 6.07) shall be held by the Trustee in trust for the benefit of, and, if the Senior Indebtedness of the Issuer shall have been declared immediately due and payable, shall be paid forthwith over and delivered to, the holders of Senior Indebtedness of the Issuer (*pro rata* as to each of such holders on the basis of the respective amounts of Senior Indebtedness of the Issuer held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness of the Issuer may have been issued, as their respective interests may appear, such payments to be made in accordance with an Officers' Certificate as provided in Section 6.14 (on which the Trustee may conclusively rely) identifying all holders of Senior Indebtedness of the Issuer and the principal amount of Senior Indebtedness of the Issuer then outstanding held by each and stating the reasons why such Officers' Certificate is being delivered to the Trustee, for application to the payment of all Senior Indebtedness of the Issuer remaining unpaid to the extent necessary to pay all Senior

Indebtedness of the Issuer in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness of the Issuer. In the event of the failure of any Holder of a Note to endorse or assign any such payment or distribution, each holder of Senior Indebtedness of the Issuer is hereby irrevocably authorized to endorse or assign the same. The Issuer shall give prompt written notice to the Trustee of any default under any Senior Indebtedness of the Issuer or under any agreement pursuant to which Senior Indebtedness of the Issuer may have been issued, as required under the Indenture.

Section 6.04. *Notes Subordinated to Prior Payment of All Senior Indebtedness of the Issuer on Dissolution, Winding Up, Liquidation or Reorganization of the Issuer.* In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Issuer, its creditors or its property, (ii) any case or proceeding for the liquidation, dissolution or other winding-up of the Issuer, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Issuer for the benefit of creditors, or (iv) any other marshalling of the assets of the Issuer:

(a) the holders of all Senior Indebtedness of the Issuer shall first be entitled to receive payment in full (or to have such payment duly provided for) of the principal and interest due thereon (including any interest thereon accruing after commencement of any such proceeding) before the Holders of the Notes are entitled to receive any payment or any distribution, whether in cash, securities or other property, on account of the principal of or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable);

(b) any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other issuer, trust or corporation provided for by a plan of reorganization or readjustment, junior, or the payment of which is otherwise subordinate, at least to the extent provided in this Article 6, to the payment of all Senior Indebtedness of the Issuer at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of the Issuer at the time outstanding), to which the Holders of the Notes or the Trustee on behalf of the Holders of the Notes would be entitled except for the provisions of this Article 6, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Issuer being subordinated to the payment of the Notes, shall be paid by the liquidating trustee or agent or other Person making such payment or distribution directly to the holders of Senior Indebtedness of the Issuer or their representative(s), or to the

trustee under any indenture under which Senior Indebtedness of the Issuer may have been issued (*pro rata* as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness of the Issuer held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness of the Issuer remaining unpaid after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of the Issuer; and

(c) in the event that notwithstanding the foregoing provisions of this Article 6, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities shall be received by the Trustee or the Holders of the Notes on account of principal or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) before all Senior Indebtedness of the Issuer is paid in full, or effective provisions made for its payment, such payment or distribution (subject to the provisions of Section 6.06 and 6.07) shall be received and held in trust for and shall be paid over or delivered forthwith to the liquidating trustee, agent or other Person making such payment or distribution or to the holders of the Senior Indebtedness of the Issuer remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which Senior Indebtedness of the Issuer may have been issued (*pro rata* as provided in subsection (b) above), for application to the payment of such Senior Indebtedness of the Issuer until all such Senior Indebtedness of the Issuer shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of the Issuer.

If the Issuer effects a transaction permitted by Article Nine of the Base Indenture (as modified by Section 3.07), such transaction shall not be deemed to be a dissolution, winding up, liquidation or reorganization of the Issuer for purposes of this Section 6.04.

The Issuer shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Issuer, assignment for the benefit of creditors by the Issuer or any other marshalling of assets of the Issuer.

Section 6.05. *Holders to be Subrogated to Rights of Holders of Senior Indebtedness of the Issuer.* Subject to the payment in full of all Senior Indebtedness of the Issuer, the Holders of the Notes shall be subrogated to the rights of the holders of Senior Indebtedness of the Issuer to receive payments or distributions of assets of the Issuer applicable to the Senior Indebtedness of the Issuer until all amounts owing on the Notes shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of Senior

Indebtedness of the Issuer by virtue of this Article 6 which otherwise would have been made to the Holders of the Notes shall, as among the Issuer, its creditors other than the holders of Senior Indebtedness of the Issuer and the Holders of the Notes, be deemed to be payment by the Issuer to or on account of the Senior Indebtedness of the Issuer, it being understood that the provisions of this Article 6 are intended solely for the purpose of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of the Senior Indebtedness of the Issuer, on the other hand.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article 6 shall have been applied, pursuant to the provisions of this Article 6, to the payment of all amounts payable under the Senior Indebtedness of the Issuer, then and in such case, the Holders shall be entitled to receive from the holders of such Senior Indebtedness of the Issuer at the time outstanding any payments or distributions received by such holders of Senior Indebtedness of the Issuer in excess of the amount sufficient to pay all amounts payable under or in respect of the Senior Indebtedness of the Issuer in full.

Section 6.06. *Obligations of the Issuer Unconditional.* Nothing contained in this Article 6 or elsewhere in the Indenture or in any Note is intended to or shall impair, as among the Issuer, its creditors other than holders of Senior Indebtedness of the Issuer and the Holders of the Notes, the obligation of the Issuer, which is absolute and unconditional, to pay to the Holders of the Notes the principal of and interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Notes and creditors of the Issuer other than the holders of the Senior Indebtedness of the Issuer, nor shall anything herein or therein prevent the Trustee or the Holder of any Note from exercising all remedies otherwise permitted by applicable law upon the occurrence of a Default or an Event of Default under the Indenture, subject to the rights, if any, under this Article 6 of the holders of Senior Indebtedness of the Issuer in respect of cash, property or securities of the Issuer received upon the exercise of any such remedy.

Upon any distribution of assets of the Issuer referred to in this Article 6, the Trustee, subject to the provisions of Article Six of the Base Indenture, and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders of the Notes, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and

other indebtedness of the Issuer, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

Section 6.07. *Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice.* The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, and the Trustee shall not be required to withhold payment to the Holders of Notes as provided in Section 6.03(d), unless and until the Trustee shall have received an Officers' Certificate stating such facts at its Corporate Trust Office from the Issuer or written notice thereof at its Corporate Trust Office from one or more holders of Senior Indebtedness of the Issuer or from any representative thereof or trustee therefor identifying the specific sections of the Indenture involved and describing in detail the facts that would obligate the Trustee to withhold payments to Holders of Notes, as well as any other facts required by the next succeeding paragraph of this Section 6.07; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Article Six of the Base Indenture, shall be entitled to assume conclusively that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness of the Issuer (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness of the Issuer or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of the Issuer to participate in any payment or distribution pursuant to this Article 6, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness of the Issuer held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 6, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 6.08. *Application by Trustee of Monies Deposited With it.* Except as to defeasance, any deposit of monies by the Issuer with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or interest on any Notes (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) shall be subject to the provisions of Sections 6.02, 6.03, 6.04 and 6.05, except that, if prior to the opening of business at least three Business Days preceding the date on which by the terms of the Indenture any such monies may become payable for any purpose (including, without limitation, the payment of

either the principal or the interest on any Note (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable)), the Trustee shall not have received with respect to such monies the notice provided for in Section 6.07, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date, without, however, limiting any rights that holders of Senior Indebtedness of the Issuer may have to recover any such payments from the Holders in accordance with the provisions of this Article 6.

Section 6.09. *Subordination Rights Not Impaired by Acts or Omissions of Issuer or Holders of Senior Indebtedness of the Issuer.* No right of any present or future holders of any Senior Indebtedness of the Issuer to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuer or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Issuer with the terms of the Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Senior Indebtedness of the Issuer may extend, renew, modify or amend the terms of the Senior Indebtedness of the Issuer or any security therefor and release, sell or exchange such security and otherwise deal freely with the Issuer, all without affecting the liabilities and obligations of the parties to the Indenture or the Holders.

Section 6.10. *Holders Authorize Trustee to Effectuate Subordination of Notes.* Each Holder of the Notes by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 6 and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding up, liquidation or reorganization of the Issuer (whether in bankruptcy, insolvency or receivership proceedings, voluntary liquidation or upon assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of the Issuer, the timely filing of a claim for the unpaid balance of its or his Notes in the form required in said proceedings and cause said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding on or prior to 30 days before the expiration of the time to file such claim or claims, then the holders of Senior Indebtedness of the Issuer have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes.

Section 6.11. *Right of Trustee to Hold Senior Indebtedness of the Issuer.* The Trustee, in its individual capacity, shall be entitled to all of the rights set forth in this Article 6 in respect of any Senior Indebtedness of the Issuer at any time

held by it to the same extent as any other holder of Senior Indebtedness of the Issuer, and nothing in the Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

Section 6.12. *Trustee Not Fiduciary for Holders of Senior Indebtedness of the Issuer.* With respect to the holders of Senior Indebtedness of the Issuer, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 6, and no implied covenants or obligations with respect to the holders of Senior Indebtedness of the Issuer shall be read into the Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of the Issuer and the Trustee shall not be liable to any holder of Senior Indebtedness of the Issuer if it shall pay over or deliver to Holders of Notes, the Issuer or any other Person monies or assets to which any holder of Senior Indebtedness of the Issuer shall be entitled by virtue of this Article 6 or otherwise.

Section 6.13. *Article 6 Not to Prevent Events of Default.* The failure to make a payment on account of principal or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) when due or within any applicable grace period, whether or not by reason of any provision in this Article 6, shall not be construed as preventing the occurrence of an Event of Default.

Section 6.14. *Officers' Certificate.* If there occurs an event referred to in the first sentence of Section 6.03(d) or the first sentence of Section 6.04, the Issuer shall promptly give to the Trustee an Officers' Certificate (on which the Trustee may conclusively rely) identifying all holders of Senior Indebtedness of the Issuer and the principal amount of Senior Indebtedness of the Issuer then outstanding held by each such holder and stating the reasons why such Officers' Certificate is being delivered to the Trustee.

ARTICLE 7

SUBORDINATION OF GUARANTEES

Section 7.01. *Applicability of Base Indenture.* Article Fourteen of the Base Indenture is hereby replaced in its entirety by this Article 7 and by Article 5 herein. All references in the Base Indenture to Article Fourteen or any provision thereof shall be deemed, for the purposes of the Notes, to be references to this Article 7 (to the extent that such references relate to subordination of the Guarantees) and to Article 5 (to the extent that such references relate to the Guarantees).

Section 7.02. *Guarantees Subordinated to Senior Indebtedness of a Guarantor.* Each Guarantor covenants and agrees, and each Holder of the Notes by its acceptance thereof likewise covenants and agrees, that the payments pursuant to the Guarantee by such Guarantor shall be subordinated in right of payment, to the extent provided in this Article 7, to the prior payment in full when due of all Senior Indebtedness of such Guarantor. The obligations of the Guarantors in respect of the Guarantees shall rank on a parity with the obligations of the Guarantors under the guarantees of the Issuer's 8⁷/₈% Senior Subordinated Notes due 2012 and 7³/₄% Senior Subordinated Notes due 2013.

This Article 7 shall constitute a continuing offer to all Persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Indebtedness of a Guarantor, and such provisions are made for the benefit of the holders of Senior Indebtedness of a Guarantor, and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

Section 7.03. *Guarantor Not to Make Payments with Respect to Notes in Certain Circumstances.*

(a) Upon the maturity of the principal of any Senior Indebtedness of a Guarantor (other than payment of sinking fund installments) by lapse of time, acceleration or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness of a Guarantor, before any payment, pursuant to the Guarantee, is made on account of the principal of or interest on the Notes (including, without limitation, any Installment Payments) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable).

(b) Unless Section 7.04 shall be applicable, upon (i) the occurrence of a Payment Default with respect to any Senior Indebtedness of a Guarantor and receipt by the relevant Guarantor and the Trustee of written notice of such occurrence or (ii) upon the acceleration of such Senior Indebtedness of such Guarantor, then no payment or distribution of any assets of such Guarantor of any kind or character shall be made by such Guarantor or the Trustee on account of principal of or interest on the Notes (including, without limitation, any Installment Payment) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable), unless and until such Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Indebtedness of such Guarantor shall have been discharged, after which such Guarantor shall resume making any and all required payments in respect of the Notes, including any missed payments.

(c) Unless Section 7.04 shall be applicable, upon (i) the occurrence of a Non-Payment Default and (ii) receipt by the Trustee of written notice of such occurrence, then no payment or distribution of any assets of the relevant Guarantor of any kind or character shall be made by such Guarantor or the Trustee on account of any principal of or interest on the Notes (including, without limitation, Installment Payments) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) for a period (“**Guarantee Payment Blockage Period**”) commencing upon receipt by the Trustee of such written notice from the holders of Senior Indebtedness of a Guarantor or any representative of a holder of Senior Indebtedness of such Guarantor unless and until (subject to any blockage of payment that may then be in effect under subsection (a) or (b) of this Section 7.03) the earlier of (A) more than 120 days shall have elapsed since receipt of such written notice by the Trustee, (B) such Non-Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Indebtedness of a Guarantor shall have been discharged or (C) such Guarantee Payment Blockage Period shall have been terminated by written notice to the relevant Guarantor or to the Trustee from the holders of the Senior Indebtedness of a Guarantor or any representative of the holders of the Senior Indebtedness of a Guarantor that initiated such Guarantee Payment Blockage Period, after which, in the case of clause (A), (B) or (C), the relevant Guarantor shall promptly resume making any and all required payments in respect of the Notes, including any missed payments. In no event shall a Guarantee Payment Blockage Period extend beyond 120 days from the date of the receipt by the Trustee of the notice referred to in clause (ii) hereof (the “**Guarantee Initial Period**”). Any number of additional Guarantee Payment Blockage Periods may be commenced during the Guarantee Initial Period; *provided, however*, that no such additional period shall extend beyond the Guarantee Initial Period. After the expiration of the Guarantee Initial Period, no Guarantee Payment Blockage Period may be commenced on the basis of a Non-Payment Default on the Senior Indebtedness of a Guarantor that was the basis of a Guarantee Payment Blockage Period commenced during the Guarantee Initial Period until at least 270 consecutive days have elapsed from the last day of the Guarantee Initial Period. No Non-Payment Default with respect to Senior Indebtedness of a Guarantor that existed or was continuing on the date of the commencement of any Guarantee Payment Blockage Period and of which the applicable holder(s) of Senior Indebtedness of a Guarantor are aware shall be, or can be made, the basis for the commencement of a second Payment Blockage Period whether or not within a period of 270 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days.

(d) In the event that notwithstanding the provisions of this Section 7.03 a Guarantor shall make, pursuant to its Guarantee, any payment or distribution of any character to the Trustee on account of the principal of or interest on the Notes (including, without limitation, any Installment Payment) or on account of the repurchase or other acquisition of the Notes (including, without limitation, the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) after the happening of an event of default with respect to any Senior Indebtedness of such Guarantor based on a default in the payment of the principal of or interest on Senior Indebtedness of such Guarantor, or after receipt by the Trustee of written notice as provided in this Section 7.03 of an event of default with respect to any Senior Indebtedness of such Guarantor, or after the acceleration of the Notes, then, but only if the Trustee is in receipt of the notice specified in Section 7.07, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, or such acceleration shall have been rescinded, such payment (subject to the provisions of Sections 7.06 and 7.07) shall be held by the Trustee in trust for the benefit of, and, if the Senior Indebtedness of such Guarantor shall have been declared immediately due and payable, shall be paid forthwith over and delivered to, the holders of Senior Indebtedness of such Guarantor (*pro rata* as to each of such holders on the basis of the respective amounts of Senior Indebtedness of such Guarantor held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness of such Guarantor may have been issued, as their respective interests may appear, such payments to be made in accordance with an Officers' Certificate as provided in Section 7.15 (on which the Trustee may conclusively rely) identifying all holders of Senior Indebtedness of such Guarantor and the principal amount of Senior Indebtedness of such Guarantor then outstanding held by each and stating the reasons why such Officers' Certificate is being delivered to the Trustee, for application to the payment of all Senior Indebtedness of such Guarantor remaining unpaid to the extent necessary to pay all Senior Indebtedness of such Guarantor in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness of such Guarantor. In the event of the failure of any Holder of a Note to endorse or assign any such payment or distribution, each holder of Senior Indebtedness of such Guarantor is hereby irrevocably authorized to endorse or assign the same. The relevant Guarantor shall give prompt written notice to the Trustee of any default under any Senior Indebtedness of such Guarantor or under any agreement pursuant to which Senior Indebtedness of such Guarantor may have been issued, as required under the Indenture.

Section 7.04. *Guarantee Subordinated to Prior Payment of All Senior Indebtedness of a Guarantor on Dissolution, Winding Up, Liquidation or Reorganization of such Guarantor.* In the event of (i) any insolvency,

bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to a Guarantor, its creditors or its property, (ii) any case or proceeding for the liquidation, dissolution or other winding-up of a Guarantor, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by a Guarantor for the benefit of creditors, or (iv) any other marshalling of the assets of a Guarantor:

(a) the holders of all Senior Indebtedness of such Guarantor shall first be entitled to receive payment in full (or to have such payment duly provided for) of the principal and interest due thereon (including any interest thereon accruing after commencement of any such proceeding) before the Holders of the Notes are entitled to receive, pursuant to the Guarantee of such Guarantor, any payment or any distribution, whether in cash, securities or other property, on account of the principal of or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable);

(b) any payment or distribution of assets of such Guarantor of any kind or character, whether in cash, property or securities (other than securities of such Guarantor as reorganized or readjusted or securities of such Guarantor or any other issuer, trust or corporation provided for by a plan of reorganization or readjustment, junior, or the payment of which is otherwise subordinate, at least to the extent provided in this Article 7, to the payment of all Senior Indebtedness of such Guarantor at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of such Guarantor at the time outstanding), to which the Holders of the Notes or the Trustee on behalf of the Holders of the Notes would be entitled, pursuant to the Guarantee of such Guarantor, except for the provisions of this Article 7, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of such Guarantor being subordinated to the payment of the Notes, shall be paid by the liquidating trustee or agent or other Person making such payment or distribution directly to the holders of Senior Indebtedness of such Guarantor or their representative(s), or to the trustee under any indenture under which Senior Indebtedness of such Guarantor may have been issued (*pro rata* as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness of such Guarantor held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness of such Guarantor remaining unpaid after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of such Guarantor; and

(c) in the event that notwithstanding the foregoing provisions of this Article 7, any payment or distribution of assets of such Guarantor of any kind or character, whether in cash, property or securities shall be received, pursuant to the

Guarantee of such Guarantor, by the Trustee or the Holders of the Notes on account of principal or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) before all Senior Indebtedness of such Guarantor is paid in full, or effective provisions made for its payment, such payment or distribution (subject to the provisions of Sections 7.06 and 7.07) shall be received and held in trust for and shall be paid over or delivered forthwith to the liquidating trustee, agent or other Person making such payment or distribution or to the holders of the Senior Indebtedness of such Guarantor remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which Senior Indebtedness of such Guarantor may have been issued (*pro rata* as provided in subsection (b) above), for application to the payment of such Senior Indebtedness of such Guarantor until all such Senior Indebtedness of such Guarantor shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of such Guarantor.

If a Guarantor effects a transaction permitted by Article Nine of the Base Indenture (as modified by Section 3.07), such transaction shall not be deemed to be a dissolution, winding up, liquidation or reorganization of a Guarantor for purposes of this Article 7.

A Guarantor shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of such Guarantor, assignment for the benefit of creditors by such Guarantor or any other marshalling of assets of such Guarantor.

Section 7.05. *Holders to be Subrogated to Rights of Holders of Senior Indebtedness of a Guarantor.* Subject to the payment in full of all Senior Indebtedness of a Guarantor, the Holders of the Notes shall be subrogated to the rights of the holders of Senior Indebtedness of such Guarantor to receive payments or distributions of assets of such Guarantor applicable to the Senior Indebtedness of such Guarantor until all amounts owing under the Guarantee of such Guarantor shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of Senior Indebtedness of such Guarantor by virtue of this Article 7 which otherwise would have been made to the Holders of the Notes shall, as among such Guarantor, its creditors other than the holders of Senior Indebtedness of such Guarantor and the Holders of the Notes, be deemed to be payment by such Guarantor to or on account of the Senior Indebtedness of such Guarantor, it being understood that the provisions of this Article 7 are intended solely for the purpose of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of the Senior Indebtedness of such Guarantor, on the other hand.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article 7 shall have been applied, pursuant to the provisions of this Article 7, to the payment of all amounts payable under the Senior Indebtedness of such Guarantor, then and in such case, the Holders shall be entitled to receive from the holders of such Senior Indebtedness of such Guarantor at the time outstanding any payments or distributions received by such holders of such Senior Indebtedness of such Guarantor in excess of the amount sufficient to pay all amounts payable under or in respect of such Senior Indebtedness of such Guarantor in full.

Section 7.06. *Obligations of the Guarantors Unconditional.* Nothing contained in this Article 7 or elsewhere in the Indenture or in any Note or Guarantee is intended to or shall impair, as among a Guarantor, its creditors other than holders of Senior Indebtedness of such Guarantor and the Holders of the Notes, the obligation of such Guarantor, which is absolute and unconditional, to pay to the Holders of the Notes the principal of and interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) as and when the same shall become due and payable in accordance with the provisions of the Guarantees, or is intended to or shall affect the relative rights of the Holders of the Notes and creditors of such Guarantor other than the holders of the Senior Indebtedness of such Guarantor, nor shall anything herein or therein prevent the Trustee or the Holder of any Note from exercising all remedies otherwise permitted by applicable law upon the occurrence of a Default or an Event of Default under the Indenture, subject to the rights, if any, under this Article 7 of the holders of Senior Indebtedness of such Guarantor in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 7, the Trustee, subject to the provisions of Article Six of the Base Indenture, and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders of the Notes, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 7.

Section 7.07. *Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice.* The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, and the Trustee shall not be required to withhold payment to the

Holders of Notes as provided in Section 7.03(d), unless and until the Trustee shall have received an Officers' Certificate stating such facts at its Corporate Trust Office from the Issuer or written notice thereof at its Corporate Trust Office from one or more holders of Senior Indebtedness of a Guarantor or from any representative thereof or trustee therefor identifying the specific sections of the Indenture involved and describing in detail the facts that would obligate the Trustee to withhold payments to Holders of Notes, as well as any other facts required by the next succeeding paragraph of this Section 7.07; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Article Six of the Base Indenture, shall be entitled to assume conclusively that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness of a Guarantor (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness of a Guarantor or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness of a Guarantor to participate in any payment or distribution pursuant to this Article 7, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness of a Guarantor held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article 7, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 7.08. *Application by Trustee of Monies Deposited With it.* Except as to defeasance, any deposit of monies by a Guarantor with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or interest on any Notes (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) shall be subject to the provisions of Sections 7.02, 7.03, 7.04 and 7.05, except that, if prior to the opening of business at least three Business Days preceding the date on which by the terms of the Indenture any such monies may become payable for any purpose (including, without limitation, the payment, pursuant to the Guarantee of such Guarantor, of either the principal or the interest on any Note (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable)), the Trustee shall not have received with respect to such monies the notice provided for in Section 7.07, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date, without, however, limiting any rights

that holders of Senior Indebtedness of such Guarantor may have to recover any such payments from the Holders in accordance with the provisions of this Article 7.

Section 7.09. *Subordination Rights Not Impaired by Acts or Omissions of Any Guarantor or Holders of Senior Indebtedness of a Guarantor.* No right of any present or future holders of any Senior Indebtedness of a Guarantor to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any Guarantor with the terms of the Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Senior Indebtedness of a Guarantor may extend, renew, modify or amend the terms of the Senior Indebtedness of a Guarantor or any security therefor and release, sell or exchange such security and otherwise deal freely with any Guarantor, all without affecting the liabilities and obligations of the parties to the Indenture or the Holders.

Section 7.10. *Holders Authorize Trustee to Effectuate Subordination of Guarantees.* Each Holder of the Notes by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 7 and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding up, liquidation or reorganization of a Guarantor (whether in bankruptcy, insolvency or receivership proceedings, voluntary liquidation or upon assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of such Guarantor, the timely filing of a claim for the unpaid balance, pursuant to the relevant Guarantee, of its Notes in the form required in said proceedings and cause said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding on or prior to 30 days before the expiration of the time to file such claim or claims, then the holders of Senior Indebtedness of such Guarantor have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes.

Section 7.11. *Right of Trustee to Hold Senior Indebtedness of a Guarantor.* The Trustee in its individual capacity, shall be entitled to all of the rights set forth in this Article 7 in respect of any Senior Indebtedness of a Guarantor at any time held by it to the same extent as any other holder of such Senior Indebtedness of such Guarantor, and nothing in the Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

Section 7.12. *Trustee Not Fiduciary for Holders of Senior Indebtedness of a Guarantor.* With respect to the holders of Senior Indebtedness of a Guarantor,

the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 7, and no implied covenants or obligations with respect to the holders of Senior Indebtedness of a Guarantor shall be read into the Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of a Guarantor and the Trustee shall not be liable to any holder of Senior Indebtedness of a Guarantor if it shall pay over or deliver to Holders of Notes, the relevant Guarantor or any other Person monies or assets to which any holder of Senior Indebtedness of a Guarantor shall be entitled by virtue of this Article 7 or otherwise.

Section 7.13. *Article 7 Not to Prevent Events of Default.* The failure to make a payment on account of principal or interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11, if applicable) when due or within any applicable grace period, whether or not by reason of any provision in this Article 7 shall not be construed as preventing the occurrence of an Event of Default.

Section 7.14. *Subordination of Indebtedness Owed by the Issuer to a Guarantor.* Any indebtedness owed by the Issuer to a Guarantor shall be subordinate to all obligations of the Issuer with respect to the Notes and the Indenture to the same extent as the Notes are subordinated to Senior Indebtedness of the Issuer.

Section 7.15. *Officers' Certificate.* If there occurs an event referred to in the first sentence of Section 7.03(d) or the first sentence of Section 7.04, the relevant Guarantor shall promptly give to the Trustee an Officers' Certificate (on which the Trustee may conclusively rely) identifying all holders of Senior Indebtedness of a Guarantor and the principal amount of Senior Indebtedness of a Guarantor then outstanding held by each such holder and stating the reasons why such Officers' Certificate is being delivered to the Trustee.

ARTICLE 8 DEFEASANCE

Section 8.01. *Defeasance.* Except as stated below, the provisions of Article Ten of the Base Indenture shall apply to the Notes in their entirety; *provided* that the "obligations" referred to in each of Section 10.2 and Section 10.3 of the Base Indenture shall also apply to the "obligations" of the Guarantors with respect to their Guarantees in the case of Section 10.2 of the Base Indenture and with respect to the covenants and Events of Default specified herein in the case of Section 10.3 of the Base Indenture.

Section 8.02. *Additional Provisions to Survive Legal Defeasance and Discharge.* Section 10.2 of the Base Indenture is hereby amended to (x) delete the “and” following clause (c) and before clause (d) of such section and to replace it with “;” and (y) add the following clauses (e) and (f) to the end of such section, “(e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders of Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them”.

Section 8.03. *Provisions to Survive Covenant Defeasance and Discharge.* Notwithstanding the foregoing, no Covenant Defeasance or discharge pursuant Section 10.9 of the Base Indenture shall affect the following obligations to, or rights of, the Holders of the Notes:

(a) the rights of Holders of Outstanding Notes (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any Notes pursuant to Article 11, if applicable) to receive payments in respect of the principal of, and interest on, the Notes when such payments are due from the trust referred to in Section 10.5 of the Base Indenture;

(b) the Issuer’s obligations with respect to the Notes concerning mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer’s obligations in connection therewith;

(d) the rights of registration of transfer and exchange of the Notes; and

(e) the rights of Holders of Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.04. *Additional Covenant Defeasance.* In addition to the “obligations” referred to in Section 10.3 of the Base Indenture, “Covenant Defeasance”, as defined in such Section, shall also apply to the release of obligations of the Guarantors set forth in Section 5.02 and each Guarantor’s obligations under its Guarantee, and clauses (iv) (with respect to the covenants so defeased), (v), (vi), (vii) and (x) of Section 4.02(a) shall no longer constitute Events of Default.

Section 8.05. *Section 10.4.* Section 10.4(b) of the Base Indenture is hereby amended by replacing the words “the date of this Indenture” with “February 9, 2011”.

ARTICLE 9
THE NOTES

Section 9.01. *Form of Notes.* (a) The Notes will initially be issued as Component Notes in the form of Attachment 4 to the form of Global Unit attached as Exhibit A to the Purchase Contract Agreement, and will be attached to the related Global Unit and registered in the name of Wilmington Trust Company, as attorney-in-fact of the holder(s) of such Global Unit.

(b) Holders of Units have the right to separate such Units into their constituent parts, consisting of Separate Purchase Contracts and Separate Notes, during the times, and under the circumstances, described in Section 2.03 of the Purchase Contract Agreement. Upon separation of any Unit into its constituent parts, (i) if such Unit is a Global Unit, the Separate Notes will initially be evidenced by Global Securities in the form of Exhibit A hereto (the “**Global Note**”) deposited with the Trustee as custodian for the Depository and registered in the name of the Depository or its nominee, or (ii) if such Unit is in definitive, registered form, the Separate Notes will be evidenced by a Certificated Note, in each case, as provided in Section 2.03 of the Purchase Contract Agreement. Following separation of any Unit into its constituent Separate Note and Separate Purchase Contract, the Separate Notes are transferable independently from the Separate Purchase Contracts. In addition, Separate Notes can be recombined with Separate Purchase Contracts to recreate Units, as provided for in Section 2.04 of the Purchase Contract Agreement.

(c) The terms of such Notes are herein incorporated by reference and are part of this Supplemental Indenture.

(d) The Notes shall be issuable in denominations initially equal to the Initial Principal Amount and integral multiples in excess thereof.

Section 9.02. *Installment Payments.* (a) The Issuer shall pay installments on the Notes (each such payment, an “**Installment Payment**”) in cash at the place, at the respective times and in the manner provided in the Notes.

(b) On the first Installment Payment Date occurring on May 15, 2011, the Issuer shall pay, in cash, an Installment Payment with respect to each Note in an amount equal to \$0.483334 per Note, and on each Installment Payment Date thereafter, the Issuer shall pay, in cash, equal quarterly Installment Payments with respect to each Note in an amount equal to \$0.453125 per Note; *provided* that, in respect of any Notes in definitive registered form, the final Installment Payment shall be made only against surrender of such Note to the Paying Agent.

(c) Each Installment Payment shall constitute a payment of interest (at a rate of 12.072% per annum) and a partial repayment of principal on the Note, allocated as set forth in the schedule below:

Installment Payment Date	Amount of Principal	Amount of Interest
May 15, 2011	\$ 0.337631	\$ 0.145703
August 15, 2011	\$ 0.326719	\$ 0.126406
November 15, 2011	\$ 0.336579	\$ 0.116546
February 15, 2012	\$ 0.346737	\$ 0.106388
May 15, 2012	\$ 0.357201	\$ 0.095924
August 15, 2012	\$ 0.367982	\$ 0.085143
November 15, 2012	\$ 0.379087	\$ 0.074038
February 15, 2013	\$ 0.390528	\$ 0.062597
May 15, 2013	\$ 0.402314	\$ 0.050811
August 15, 2013	\$ 0.414456	\$ 0.038669
November 15, 2013	\$ 0.426965	\$ 0.026160
February 15, 2014	\$ 0.439850	\$ 0.013275

(d) Each Installment Payment for any Installment Payment Period shall be computed on the basis of a 360-day year of twelve 30-day months. If an Installment Payment is payable for any period shorter than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. Furthermore, if any date on which an Installment Payment is payable is not a Business Day, then payment of the Installment Payment on such date shall be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such Installment Payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date when such Installment Payment was originally due.

Section 9.03. *Section 382 Ownership Blocker.* (a) If any Unit becomes an Excess Equity-Linked Security as a result of any purported acquisition of such Unit, the purported acquirer (or, in the case of an indirect acquisition, the direct Holder) of such Unit shall not be recognized as the Holder of such Unit (or the Note that is a component of such Unit) for any purpose including, without limitation, for purposes of receiving any Installment Payment or other payment on such Note. Any Excess Equity-Linked Security (including the Note that is a component of any Unit that is an Excess Equity-Linked Security), and any Installment Payment or other payment on the Note that is a component of such

Excess Equity-Linked Security, shall be subject to divestiture pursuant to the provisions of Paragraph Ninth of the Certificate of Incorporation as if such Excess Equity-Linked Security were an “Excess Security” as defined in such Paragraph Ninth.

(b) If any Unit becomes an Excess Equity-Linked Security, or if any Unit ceases to be an Excess Equity-Linked Security, the Issuer shall promptly deliver written notice thereof to the Trustee. The Trustee shall not be charged with knowledge that any Unit is an Excess Equity-Linked Security, or that any Unit is no longer an Excess Equity-Linked Security, in each case, unless either (i) a Responsible Officer of the Trustee assigned to the Corporate Trust Office of the Trustee (or any successor division or department of the Trustee) shall have actual knowledge thereof or (ii) written notice thereof has been provided to the Trustee by the Company. The Trustee may, for purposes of the Indenture, conclusively rely on any such notice from the Company in accordance with the provisions of Section 6.1(a)(ii) of the Base Indenture.

Section 9.04. *Maturity Date.* The date on which the final Installment Payment on the Notes shall be due, unless the Notes are accelerated pursuant to the terms hereof or otherwise paid prior to maturity in connection with a Holder’s exercise of the Repurchase Right, shall be the Maturity Date.

Section 9.05. *Depository.* The Depository for the Global Note shall initially be The Depository Trust Company (“**DTC**”). The Global Note (which shall initially have a balance of zero Notes) shall be deposited on or about the Issue Date with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the “**Global Note Holder**”).

Section 9.06. *Certificated Notes.* (a) The seventh paragraph of Section 2.8 of the Base Indenture shall be deemed, with respect to the Notes, to be modified by inserting after “Section 2.8” in the first line thereof the parenthesis “(other than in accordance with the terms of the following paragraph)”.

(b) The eighth and ninth paragraphs of Section 2.8 of the Base Indenture shall be deemed, with respect to the Notes, to be replaced in their entirety with the following:
“If:

(i) the Depository is unwilling or unable to continue as Depository for such Global Note and the Issuer is unable to find a qualified replacement for such Depository within 90 days;

(ii) at any time the Depository ceases to be a clearing agency registered under the Exchange Act; or

(iii) an Event of Default, or any failure on the part of the Issuer or Hovnanian to observe or perform any covenant or agreement in the Indenture has occurred and is continuing and the beneficial owner of any Notes represented by a Global Note requests that its Notes be issued in physical, certificated form,

then, in each case, the Issuer shall execute, and the Trustee, upon receipt of an Issuer Order for the authentication and delivery of Certificated Notes, shall authenticate and deliver Certificated Notes in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Note or Notes representing such Notes (or in an aggregate principal amount equal to the principal amount of the Notes in respect of which a beneficial owner has requested the issuance of Notes in physical, certificated form pursuant to clause (iii) above) in exchange for such Global Note or Notes (or relevant portion thereof).”

(c) The terms of Section 2.8 of the Base Indenture shall apply to the Notes except as modified by this Section 9.06.

ARTICLE 10

REDEMPTION

Section 10.01. *Article Twelve of the Base Indenture Inapplicable.* The Notes shall not be redeemable and Article Twelve of the Base Indenture shall not apply to the Notes.

ARTICLE 11

REPURCHASE OF NOTES AT THE OPTION OF THE HOLDER

Section 11.01. *Offer to Repurchase.* If Hovnanian elects to exercise its Early Mandatory Settlement Right pursuant to the terms of the Purchase Contract Agreement, then each Holder of Notes (whether any such Note is a Separate Note or a component of a Unit) shall have the right (the “**Repurchase Right**”) to require the Issuer to repurchase some or all of its Notes for cash at the Repurchase Price per Note to be repurchased on the Repurchase Date, pursuant to Section 11.03. The Issuer shall not be required to repurchase a portion of a Note.

Section 11.02. *Early Mandatory Settlement Notice.* If Hovnanian elects to exercise its Early Mandatory Settlement Right in respect of the Purchase Contracts pursuant to the terms of the Purchase Contract Agreement, Hovnanian

shall provide the Trustee and the Holders of the Notes with a copy of the Early Mandatory Settlement Notice delivered pursuant to the Purchase Contract Agreement.

Section 11.03. *Procedures for Exercise.*

(a) To exercise the Repurchase Right, a Holder must deliver, prior to the close of business on the Business Day immediately preceding the Repurchase Date, the Notes to be repurchased to the Paying Agent (or the Units to the Purchase Contract Agent, if (x) the Early Mandatory Settlement Date occurs on or after the Repurchase Date and (y) the relevant Notes have not been separated from the Units), together with a duly completed written Repurchase Notice, in each case in accordance with appropriate procedures of the Depository, unless the Notes are not in the form of a Global Note (or the Units are not in the form of Global Units, as the case may be), in which case such Holder must deliver the Notes to be repurchased to the Paying Agent or the Units that include the Notes to be repurchased to the Purchase Contract Agent (if (x) the Early Mandatory Settlement Date occurs on or after the Repurchase Date and (y) the Notes have not been separated from the Units), duly endorsed for transfer to the Issuer, together with a Repurchase Notice, to the Paying Agent.

(b) The Repurchase Notice must state the following:

- (i) if Certificated Notes or Units have been issued, the certificate numbers of the Notes or Units, or if the Notes or Units are in the form of a Global Note or a Global Unit, as the case may be, the Repurchase Notice must comply with appropriate procedures of the Depository;
- (ii) the number of Notes to be repurchased; and
- (iii) that the Notes are to be repurchased by the Issuer pursuant to the applicable provisions of the Notes and this Article 11.

(c) In the event that Hovnanian exercises its Early Mandatory Settlement Right with respect to Purchase Contracts that are a component of Units prior to the Repurchase Date, upon such exercise the Issuer shall execute and the Trustee shall authenticate on behalf of the Holder and deliver to the Holder thereof, at the expense of the Issuer, Separate Notes in same form and in the same number as the Notes comprising part of the Units.

Section 11.04. *Withdrawal of Repurchase Notice.*

(a) A Holder may withdraw any Repurchase Notice (in whole or in part) by a written, irrevocable notice of withdrawal delivered to the Paying Agent, with a copy to the Trustee and the Issuer, prior to the close of business on the Business Day immediately preceding the Repurchase Date.

(b) The notice of withdrawal must state the following:

(i) the number of the withdrawn Notes;

(ii) if Certificated Notes or Units have been issued, the certificate numbers of the withdrawn Notes or Units, as applicable, or if the Notes or Units are in the form of a Global Note or a Global Unit, as the case may be, the notice of withdrawal must comply with appropriate DTC procedures; and

(iii) the number of Notes, if any, that remain subject to the Repurchase Notice.

Section 11.05. *Effect of Repurchase.* (a) The Issuer shall be required to repurchase the Notes with respect to which the Repurchase Right has been exercised on the Repurchase Date. To effectuate such repurchase, the Issuer shall deposit immediately available funds with the Paying Agent, on or prior to 11:00 a.m., New York City time, on the Repurchase Date, an amount or amounts sufficient to pay the Repurchase Price with respect to those Notes for which the Repurchase Right has been exercised. A Holder electing to exercise the Repurchase Right shall receive payment of the Repurchase Price on the later of (i) the Repurchase Date and (ii) the time of book-entry transfer or the delivery of the Notes (or Units, as applicable).

(b) If the Paying Agent holds money on the Repurchase Date sufficient to pay the Repurchase Price with respect to those Notes for which the Repurchase Right has been exercised, then (i) such Notes shall cease to be outstanding and interest shall cease to accrue thereon (whether or not book-entry transfer of the Notes or Units, as applicable, is made or whether or not the Notes or Units, as applicable, are delivered as required herein), and (ii) all other rights of the Holder shall terminate (other than the right to receive the Repurchase Price).

(c) The Issuer shall, in connection with any repurchase offer pursuant to this Article 11, if required, (i) comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable, and (ii) file a Schedule TO or any other required schedule under the Exchange Act.

(d) Notwithstanding anything to the contrary herein, no Notes may be repurchased at the option of Holders if the principal amount thereof has been

accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a Default by the Issuer in the payment of the Repurchase Price with respect to such Notes).

Section 11.06. *No Sinking Fund*. The Notes are not entitled to the benefit of any sinking fund.

ARTICLE 12
TAX TREATMENT

Section 12.01. *Tax Treatment*. The Issuer and each Holder agree, for United States federal income tax purposes, to treat the Notes as indebtedness of the Issuer.

ARTICLE 13
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 13.01. *Amendments, Supplements and Waivers*. The Issuer, the Guarantors and the Trustee may amend, supplement or waive the Indenture, the Notes or the Guarantees as provided in Article Eight of the Base Indenture; *provided* that, in addition to the provisions of Section 8.2 of the Base Indenture, no amendment, supplement or waiver shall, without the consent of each Holder affected: (i) alter the provisions (including related definitions) set forth in Article 11 hereof; or (ii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture.

Section 13.02. *Payments for Consents*. Neither the Issuer, Hovnanian nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

ARTICLE 14
RELEASE OF ISSUER

Section 14.01. *Release of Issuer.* The Issuer may be released from its obligations under the Indenture and the Notes in accordance with the provisions of Article Fifteen of the Base Indenture.

ARTICLE 15
MISCELLANEOUS

Section 15.01. *GOVERNING LAW.* THIS SUPPLEMENTAL INDENTURE, THE NOTES AND EACH GUARANTEE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS SUPPLEMENTAL INDENTURE, THE NOTES AND EACH GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 15.02. *No Adverse Interpretation of Other Agreements.* This Supplemental Indenture may not be used to interpret another indenture or loan or debt agreement of Hovnanian, the Issuer or any subsidiary of Hovnanian. Any such indenture or loan or debt agreement may not be used to interpret this Supplemental Indenture.

Section 15.03. *Successors and Assigns.* All covenants and agreements of the Issuer and the Guarantors in this Supplemental Indenture and the Notes shall bind their respective successors and assigns and inure to the benefit of their respective successors and assigns. All agreements of the Trustee in this Supplemental Indenture shall bind its successors and assigns and inure to the benefit of their respective successors and assigns.

Section 15.04. *Counterparts.* The parties may sign any number of counterparts of this Supplemental Indenture. Each signed counterpart shall be an original, but all of them together represent the same agreement.

Section 15.05. *Severability.* To the extent permitted by applicable law, in case any one or more of the provisions contained in this Supplemental Indenture or in the Notes or the Guarantees shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture or of the Notes or the Guarantees.

Section 15.06. *Effect of Headings*. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 15.07. *Conflict of Any Provision of Indenture with TIA*. If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision included in this Supplemental Indenture or in the Indenture which is required to be included herein by any of Sections 310 to 317 of the TIA, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the TIA, such required provision shall control.

Section 15.08. *Ratification of Indenture*. The Base Indenture, as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed, and this Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SIGNATURES

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

K. HOVNIANIAN ENTERPRISES, INC., as
the Issuer

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

HOVNIANIAN ENTERPRISES, INC., as
Guarantor

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

On behalf of each entity named in Schedule 1
hereto, as Guarantors

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

WILMINGTON TRUST COMPANY, as Trustee

By: /s/ Joshua C. Jones
Name: Joshua C. Jones
Title: Financial Services Officer

Guarantors

AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES NY, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN ENTERPRISES, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF GEORGIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS LLC
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV INTERNATIONAL, INC.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT 4S, LLC
K. HOVNIANIAN AT ACQUA VISTA, LLC
K. HOVNIANIAN AT ALISO, LLC
K. HOVNIANIAN AT ALLENTOWN, L.L.C.
K. HOVNIANIAN AT ALMOND ESTATES, LLC
K. HOVNIANIAN AT ANDALUSIA, LLC
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC
K. HOVNIANIAN AT AVENUE ONE, L.L.C.
K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.

K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CARMEL VILLAGE, LLC
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CRESTLINE, INC.
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 DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT DOVER, L.L.C.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNIANIAN AT ELK TOWNSHIP, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, L.L.C.
K. HOVNIANIAN AT EWING, L.L.C.
K. HOVNIANIAN AT FAIR OAKS, L.L.C.
K. HOVNIANIAN AT FIDDYMENT RANCH, LLC
K. HOVNIANIAN AT FIFTH AVENUE, 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 FRANKLIN II, L.L.C.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT FRESNO, LLC
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNIANIAN AT GILROY, LLC
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.
K. HOVNIANIAN AT GRIDLEY, LLC
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 HAZLET, L.L.C.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.

K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HUDSON POINTE, L.L.C.
K. HOVNIANIAN AT JACKSON I, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JAEGER RANCH, LLC
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT KEYPORT, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNIANIAN AT LA COSTA, LLC
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LA PAZ, LLC
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LANDMARK, LLC
K. HOVNIANIAN AT LARKSPUR, LLC
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 III, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LIVE OAK II, LLC
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 LOWER MORELAND III, L.L.C.
K. HOVNIANIAN AT MACUNGIE, L.L.C.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MALAN PARK, L.L.C.
K. HOVNIANIAN AT MANALAPAN III, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, L.L.C.
K. HOVNIANIAN AT MANSFIELD II, L.L.C.
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MANTECA, LLC
K. HOVNIANIAN AT MAPLE AVENUE, 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 MATSU, L.L.C.
K. HOVNIANIAN AT MELANIE MEADOWS, LLC
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.

K. HOVNIANIAN AT MENIFEE, LLC
K. HOVNIANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNIANIAN AT MILLVILLE I, L.L.C.
K. HOVNIANIAN AT MILLVILLE II, L.L.C.
K. HOVNIANIAN AT MONROE II, INC.
K. HOVNIANIAN AT MONROE IV, L.L.C.
K. HOVNIANIAN AT MONROE NJ, L.L.C.
K. HOVNIANIAN AT MONTVALE, LLC
K. HOVNIANIAN AT MONTVALE II, L.L.C.
K. HOVNIANIAN AT MOSAIC, LLC
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MUIRFIELD, LLC
K. HOVNIANIAN AT NEW BRUNSWICK URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN. L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, 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 NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT OCEANPORT, L.L.C.
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PACIFIC BLUFFS, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PHILADELPHIA II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNIANIAN AT PITTSBORO, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.
K. HOVNIANIAN AT RANCHO 79, LLC

K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT READINGTON II, L.L.C.
K. HOVNIANIAN AT RED BANK, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIDGESTONE, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RIVERCREST, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SANTA FE SPRINGS, LLC
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAVANNAH LAKE, L.L.C.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SIERRA ESTATES, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT SPARTA, L.L.C.
K. HOVNIANIAN AT SPRINGCO, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SUNSETS, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TEANECK, L.L.C.
K. HOVNIANIAN AT THE CLIFFS, LLC
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TRENTON, L.L.C.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT UNION 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 MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WARMINSTER, LLC
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS CIP, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF VIRGINIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONNECTICUT ACQUISITIONS, L.L.C.
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CONNECTICUT, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF INDIANA, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, 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 NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES — DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT PAYNE STREET, L.L.C.
K. HOVNIANIAN HOMES AT PRIMERA, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF INDIANA, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.

K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNIANIAN OF HOUSTON II, L.L.C.
K. HOVNIANIAN OHIO REALTY, L.L.C.
K. HOVNIANIAN OSTER HOMES, L.L.C.
K. HOVNIANIAN PA REAL ESTATE, INC.
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN STANDING ENTITY, L.L.C.
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF 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 T&C HOMES AT FLORIDA, L.L.C.
K. HOVNIANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNIANIAN T&C INVESTMENT, L.L.C.
K. HOVNIANIAN T&C MANAGEMENT CO., L.L.C.
K. HOVNIANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNIANIAN VENTURE I, L.L.C.
K. HOVNIANIAN WINDWARD HOMES, LLC
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAILEY'S GLENN, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT HUNTFIELD, 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 LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, LLC
K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.

M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF MICHIGAN, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NATOMAS CENTRAL NEIGHBORHOOD HOUSING, L.L.C.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
REAL PROPERTY HOLDING — PRINCE GEORGE'S COUNTY, MD, LLC
RIDGEMORE UTILITY ASSOCIATES OF PENNSYLVANIA, L.L.C.
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
THE RESIDENCE AT DULLES PARKWAY CORPORATE CENTER, LLC
THE RESIDENCE AT GREENFIELD CROSSING, L.L.C.
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, LLC
WESTMINSTER HOMES OF TENNESSEE, INC.
WESTMINSTER HOMES, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WH/PR LAND COMPANY, L.L.C.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

[FORM OF FACE OF NOTE]

[THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY") TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

* Include only if a Global Note.

K. HOVNIANIAN ENTERPRISES, INC.
12.072% SENIOR SUBORDINATED AMORTIZING NOTES DUE 2014

CUSIP No. 442488201
ISIN No.: US4424882011
No. ____

[Initial]* Number of Notes: _____

K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to [CEDE & CO., as nominee of The Depository Trust Company] [_____]**, or registered assigns (the “**Holder**”), the initial principal amount of \$4.526049 for each of the number of Notes set forth above[, which number of Notes may from time to time be reduced or increased as set forth in Schedule A hereto, as appropriate, in accordance with the terms of the Indenture, but which number of Notes, taken together with the number of all other outstanding Notes, shall not exceed 3,000,000 Notes at any time (as increased by a number of Notes equal to the number of any additional Units purchased by the Underwriters pursuant to the exercise of their option to purchase additional Units as set forth in the Underwriting Agreement)]*, in equal quarterly installments (except for the first such payment) (each such payment, an “**Installment Payment**,” constituting a payment of interest at the rate per year of 12.072% and a partial repayment of principal) payable on each February 15, May 15, August 15 and November 15 commencing on May 15, 2011 (each such date, an “**Installment Payment Date**” and the period from, and including, February 9, 2011 to, but excluding, the first Installment Payment Date and each subsequent full quarterly period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date, an “**Installment Payment Period**”), all as set forth on the reverse hereof, with the final Installment Payment due and payable on February 15, 2014.

The Installment Payment on any Installment Payment Date shall be computed on the basis of a 360-day year consisting of twelve 30-day months. If an Installment Payment for any period shorter than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any Installment Payment Date is not a Business Day, then payment of the Installment Payment on such date will be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such installment payment shall be made on the immediately preceding Business Day, in each case

with the same force and effect as if made on the date when such Installment Payment was originally due. Installment Payments shall be paid to the Person in whose name the Note is registered, with limited exceptions, at the close of business on the Business Day immediately preceding the related Installment Payment Date (each, a “**Regular Record Date**”). If the Notes do not remain in book-entry only form, the Issuer shall have the right to select Regular Record Dates, noticed in writing in advance, to the Trustee and Holders, which will be more than 14 days but less than 60 days prior to the relevant Installment Payment Date. Installment Payments shall be payable at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, The City of New York or in Delaware; *provided, however*, that payment of Installment Payments may be made at the option of the Issuer by check mailed to the registered Holder at such address as shall appear in the Security Register or by wire transfer to an account appropriately designated by the Holder entitled to payment.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or obligatory for any purpose until the Certificate of Authentication shall have been manually signed by or on behalf of the Trustee.

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

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Note.

** Include only if not a Global Note.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Dated: _____

K. HOVNANIAN ENTERPRISES, INC.

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

CERTIFICATE OF AUTHENTICATION

Wilmington Trust Company, as Trustee, certifies that this is one of the Securities of the series designated herein referred to in the within mentioned Indenture.

Dated:

WILMINGTON TRUST COMPANY, as
Trustee

By: _____
Authorized Signatory

[REVERSE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

12.072% Senior Subordinated Amortizing Notes due 2014

This Note is one of a duly authorized series of Securities of the Note Issuer designated as its 12.072% Senior Subordinated Amortizing Notes due 2014 (herein sometimes referred to as the “Notes”), issued under the Senior Subordinated Indenture, dated as of February 9, 2011, among the Issuer, Hovnanian Enterprises, Inc. (“Hovnanian”) and Wilmington Trust Company, as trustee (the “Trustee,” which term includes any successor trustee under the Indenture) (including any provisions of the TIA that are deemed incorporated therein) (the “Base Indenture”), as supplemented by the First Supplemental Indenture, dated as of February 9, 2011 (the “First Supplemental Indenture”), among the Issuer, Hovnanian, the other Guarantors from time to time party thereto, and the Trustee (the Base Indenture and, as supplemented by the First Supplemental Indenture, the “Indenture”), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders. The terms of other series of Securities issued under the Indenture may vary with respect to interest rates, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture. The Indenture further provides that securities of a single series may be issued at various times, with different maturity dates and may bear interest at different rates. This series of Securities is limited in initial aggregate principal amount as specified in the First Supplemental Indenture.

Each installment shall constitute a payment of interest (at a rate of 12.072% per annum) and a partial repayment of principal on the Note, allocated as set forth in the schedule below:

<u>Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
May 15, 2011	\$ 0.337631	\$ 0.145703
August 15, 2011	\$ 0.326719	\$ 0.126406
November 15, 2011	\$ 0.336579	\$ 0.116546
February 15, 2012	\$ 0.346737	\$ 0.106388
May 15, 2012	\$ 0.357201	\$ 0.095924
August 15, 2012	\$ 0.367982	\$ 0.085143
November 15, 2012	\$ 0.379087	\$ 0.074038
February 15, 2013	\$ 0.390528	\$ 0.062597
May 15, 2013	\$ 0.402314	\$ 0.050811

<u>Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
August 15, 2013	\$ 0.414456	\$ 0.038669
November 15, 2013	\$ 0.426965	\$ 0.026160
February 15, 2014	\$ 0.439850	\$ 0.013275

The Notes shall not be subject to redemption at the option of the Issuer. However, a Holder shall have the right to require the Issuer to repurchase some or all of its Notes for cash at the Repurchase Price per Note and on the Repurchase Date, upon the occurrence of certain events and subject to the conditions set forth in the Indenture.

This Note is not entitled to the benefit of any sinking fund. The Indenture contains provisions for defeasance and covenant defeasance at any time of the indebtedness on this Note upon compliance by the Issuer with certain conditions set forth therein, which provisions apply to this Note.

If an Event of Default with respect to the Notes shall occur and be continuing, then (unless no declaration of acceleration or notice is required for such Event of Default) either the Trustee or the Holders of not less than 25% in principal amount of the Notes then outstanding may declare the aggregate principal amount of the Notes, and all interest accrued thereon, to be due and payable immediately, in the manner, subject to the conditions and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Issuer and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Securities at the time outstanding, to execute supplemental indentures for certain purposes as described therein.

No provision of this Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay Installment Payments on this Note at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

The Notes are guaranteed, on a senior subordinated basis, by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

The Notes are originally being issued as part of the 7.25% Tangible Equity Units (the “Units”) issued by Hovnanian and the Issuer pursuant to that certain Purchase Contract Agreement, dated as of February 9, 2011, between Hovnanian, the Issuer and Wilmington Trust Company, as Purchase Contract Agent, as Trustee and as attorney-in-fact for the holders of Purchase Contracts from time to time (the “Purchase Contract Agreement”). Holders of the Units have the right to separate such Units into their constituent parts, consisting of Separate Purchase

Contracts (as defined in the Purchase Contract Agreement) and Separate Notes, during the times, and under the circumstances, described in the Purchase Contract Agreement. Following separation of any Unit into its constituent Separate Note and Separate Purchase Contract, the Separate Notes are transferable independently from the Separate Purchase Contracts. In addition, Separate Notes can be recombined with Separate Purchase Contracts to recreate Units, as provided for in the Purchase Contract Agreement. Reference is hereby made to the Purchase Contract Agreement for a more complete description of the terms thereof applicable to the Units and Notes.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note shall be registered on the Security register of the Issuer, upon due presentation of this Note for registration of transfer at the office or agency of the Issuer in the Borough of Manhattan, The City of New York or in Delaware, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Note or Notes in authorized denominations and for a like aggregate principal amount.

The Notes are initially issued in registered, global form without coupons in denominations initially equal to \$4.526049 and integral multiples in excess thereof.

The Issuer or Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of this Note. No service charge shall be made for any such transfer or for any exchange of this Note as contemplated by the Indenture.

The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name this Note is registered upon the Security register for the Notes as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of the Indenture, interest, if any, on this Note and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Note and the Indenture, and any claim, controversy or dispute arising under or related to the Indenture or this Note, shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used but not defined in this Note shall have the meanings ascribed to such terms in the Indenture.

No recourse shall be had for the payment of any Installment Payment on this Note, or for any claim based hereon, or upon any obligation, covenant or agreement of the Issuer in the Indenture, against any incorporator, stockholder, officer or director, past, present or future of the Issuer or of any predecessor or successor, either directly or through the Issuer or of any successor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment of penalty or otherwise; and all such personal liability is expressly released and waived as a condition of, and as part of the consideration for, the issuance of this Note.

The Issuer and each Holder agrees, for United States federal income tax purposes, to treat the Notes as indebtedness of the Issuer.

If this Note is a component of a Unit, it shall be subject to the Section 382 Ownership Blocker (as defined in the Purchase Contract Agreement), and any purported violation of the Section 382 Ownership Blocker shall be subject to the consequences provided in the Indenture and the Purchase Contract Agreement.

In the event of any inconsistency between the provisions of this Note and the provisions of the Indenture, the Indenture shall prevail.

[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the “**Guarantors**”) hereby unconditionally guarantee, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer thereunder or under the Notes, that (i) the due and punctual payment of the principal of, interest on the Notes (including, without limitation, Installment Payments and the Repurchase Price of any Notes payable pursuant to Article 11 of the First Supplemental Indenture, if applicable), and all other amounts owing with respect to the Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, if lawful, and all other obligations of the Issuer to the Holders or the Trustee thereunder or under the Notes shall be promptly paid in full when due or performed in accordance with the terms of the Indenture and the Notes, including all amounts payable to the Trustee, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise (each such guarantee, a “**Guarantee**”).

The obligations of the Guarantors under this Guarantee are subordinated to all Senior Indebtedness of a Guarantor, as set forth in Article 7 of the First Supplemental Indenture.

No past, present or future stockholder, officer, director, employee or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee by reason of such Person’s status as stockholder, officer, director, employee or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

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

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

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES NY, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN ENTERPRISES, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF GEORGIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS LLC
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV INTERNATIONAL, INC.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT 4S, LLC
K. HOVNIANIAN AT ACQUA VISTA, LLC
K. HOVNIANIAN AT ALISO, LLC
K. HOVNIANIAN AT ALLENTOWN, L.L.C.
K. HOVNIANIAN AT ALMOND ESTATES, LLC
K. HOVNIANIAN AT ANDALUSIA, LLC
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC
K. HOVNIANIAN AT AVENUE ONE, L.L.C.
K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.

K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CARMEL VILLAGE, LLC
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CRESTLINE, INC.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT DENVER, L.L.C.
K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT DOVER, L.L.C.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNIANIAN AT ELK TOWNSHIP, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, L.L.C.
K. HOVNIANIAN AT EWING, L.L.C.
K. HOVNIANIAN AT FAIR OAKS, L.L.C.
K. HOVNIANIAN AT FIDDYMENT RANCH, LLC
K. HOVNIANIAN AT FIFTH AVENUE, 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 FRANKLIN II, L.L.C.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT FRESNO, LLC
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNIANIAN AT GILROY, LLC
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.
K. HOVNIANIAN AT GRIDLEY, LLC

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 HAZLET, L.L.C.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HUDSON POINTE, L.L.C.
K. HOVNIANIAN AT JACKSON I, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JAEGER RANCH, LLC
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT KEYPORT, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNIANIAN AT LA COSTA, LLC
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LA PAZ, LLC
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LANDMARK, LLC
K. HOVNIANIAN AT LARKSPUR, LLC
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 III, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LIVE OAK II, LLC
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 LOWER MORELAND III, L.L.C.
K. HOVNIANIAN AT MACUNGIE, L.L.C.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MALAN PARK, L.L.C.
K. HOVNIANIAN AT MANALAPAN III, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, L.L.C.
K. HOVNIANIAN AT MANSFIELD II, L.L.C.
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MANTECA, LLC
K. HOVNIANIAN AT MAPLE AVENUE, 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 MATSU, L.L.C.
K. HOVNIANIAN AT MELANIE MEADOWS, LLC
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MENIFEE, LLC
K. HOVNIANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNIANIAN AT MILLVILLE I, L.L.C.
K. HOVNIANIAN AT MILLVILLE II, L.L.C.
K. HOVNIANIAN AT MONROE II, INC.
K. HOVNIANIAN AT MONROE IV, L.L.C.
K. HOVNIANIAN AT MONROE NJ, L.L.C.
K. HOVNIANIAN AT MONTVALE, LLC
K. HOVNIANIAN AT MONTVALE II, L.L.C.
K. HOVNIANIAN AT MOSAIC, LLC
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MUIRFIELD, LLC
K. HOVNIANIAN AT NEW BRUNSWICK URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN. L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, 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 NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT OCEANPORT, L.L.C.
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PACIFIC BLUFFS, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PHILADELPHIA II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C.

K. HOVNIANIAN AT PITTSBURGH, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.
K. HOVNIANIAN AT RANCHO 79, LLC
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT READINGTON II, L.L.C.
K. HOVNIANIAN AT RED BANK, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIDGESTONE, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RIVERCREST, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SANTA FE SPRINGS, LLC
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAVANNAH LAKE, L.L.C.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SIERRA ESTATES, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT SPARTA, L.L.C.
K. HOVNIANIAN AT SPRINGCO, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SUNSETS, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TEANECK, L.L.C.
K. HOVNIANIAN AT THE CLIFFS, LLC
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC

K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TRENTON, L.L.C.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT UNION 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 MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WARMINSTER, LLC
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS CIP, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF VIRGINIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONNECTICUT ACQUISITIONS, L.L.C.

K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CONNECTICUT, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF INDIANA, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, 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 NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES — DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT PAYNE STREET, L.L.C.
K. HOVNIANIAN HOMES AT PRIMERA, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.

K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF INDIANA, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNIANIAN OF HOUSTON II, L.L.C.
K. HOVNIANIAN OHIO REALTY, L.L.C.
K. HOVNIANIAN OSTER HOMES, L.L.C.
K. HOVNIANIAN PA REAL ESTATE, INC.
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN STANDING ENTITY, L.L.C.
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF 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 T&C HOMES AT FLORIDA, L.L.C.
K. HOVNIANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNIANIAN T&C INVESTMENT, L.L.C.
K. HOVNIANIAN T&C MANAGEMENT CO., L.L.C.
K. HOVNIANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNIANIAN VENTURE I, L.L.C.
K. HOVNIANIAN WINDWARD HOMES, LLC
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAILEY'S GLENN, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT HUNTFIELD, 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 LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC

K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF MICHIGAN, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NATOMAS CENTRAL NEIGHBORHOOD HOUSING, L.L.C.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
REAL PROPERTY HOLDING — PRINCE GEORGE'S COUNTY, MD, LLC
RIDGEMORE UTILITY ASSOCIATES OF PENNSYLVANIA, L.L.C.
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
THE RESIDENCE AT DULLES PARKWAY CORPORATE CENTER, LLC
THE RESIDENCE AT GREENFIELD CROSSING, L.L.C.
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, LLC
WESTMINSTER HOMES OF TENNESSEE, INC.
WESTMINSTER HOMES, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WH/PR LAND COMPANY, L.L.C.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Note to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him or her.

Date: _____

Signature:

Signature Guarantee:

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

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SIGNATURE GUARANTEE

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

By: _____

Name:

Title:

as Trustee

By: _____

Name:

Title:

Attest

By: _____

Name:

Title:

FORM OF REPURCHASE NOTICE

TO: K. HOVNANIAN ENTERPRISES, INC.
WILMINGTON TRUST COMPANY, as Trustee

The undersigned registered Holder hereby irrevocably acknowledges receipt of a notice from K. Hovnanian Enterprises, Inc. (the "Issuer") regarding the right of Holders to elect to require the Issuer to repurchase the Notes and requests and instructs the Issuer to pay, for each Note designated below, the Repurchase Price for such Notes (determined as set forth in the Indenture), in accordance with the terms of the Indenture and the Notes, to the registered holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. The Notes shall be repurchased by the Issuer as of the Repurchase Date pursuant to the terms and conditions specified in the Indenture.

Dated: _____

Signature: _____

NOTICE: The above signature of the Holder hereof must correspond with the name as written upon the face of the Notes in every particular without alteration or enlargement or any change whatever.

Notes Certificate Number (if applicable): _____

Number of Notes to be repurchased (if less than all, must be one Note or integral multiples in excess thereof): _____

Social Security or Other Taxpayer Identification Number: _____

SCHEDULE A
[SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE]*

The initial number of Notes evidenced by this Global Note is _____. The following increases or decreases in this Global Note have been made:

<u>Date</u>	<u>Amount of decrease in number of Notes evidenced hereby</u>	<u>Amount of increase in number of Notes evidenced hereby</u>	<u>Number of Notes evidenced hereby following such decrease (or increase)</u>	<u>Signature of authorized officer of Trustee</u>
-------------	---	---	---	---

* Include only if a Global Note.

SUPPLEMENTAL INDENTURE

dated as of _____, _____

among

K. HOVNANIAN ENTERPRISES, INC.

HOVNANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST COMPANY,
as Trustee

12.072% Senior Subordinated Amortizing Notes due 2014

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

RECITALS

WHEREAS, the Issuer, Hovnanian, the other Guarantors party thereto and the Trustee entered into the Indenture dated as of February 9, 2011 (as supplemented, the “**Indenture**”) as supplemented by (i) the First Supplemental Indenture dated as of February 9, 2011 (the “**First Supplemental Indenture**”), relating to the Issuer’s 12.072% Senior Subordinated Amortizing Notes due 2014 (the “**Notes**”);

WHEREAS, as a condition to the purchase of the Notes by the Holders, Hovnanian agreed pursuant to the Indenture to cause any newly acquired or created Subsidiaries guaranteeing Applicable Debt (or any Subsidiaries that did not originally guarantee the Notes but subsequently guarantee Applicable Debt) to provide Guarantees of the Notes, subject to certain limitations.

AGREEMENT

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

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

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to Article 5 and Article 7 of the First Supplemental Indenture. Each Undersigned shall also execute a Guarantee Notation in respect of the Notes.

SECTION 3. This [] Supplemental Indenture, and any claim, controversy or dispute arising under or related to this [] Supplemental Indenture, shall be governed by, and construed in accordance with, the laws of the State of New York.

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

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

SECTION 6. The recitals herein contained are made solely by the Issuer, Hovnanian and the Guarantors and not by the Trustee, and the Trustee assumes no responsibility for the validity or accuracy thereof.

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

K. HOVNIANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNIANIAN ENTERPRISES, INC., as
Guarantor

By: _____
Name:
Title:

On behalf of each entity named in
Schedule 1 hereto, as Guarantors

By: _____
Name:
Title:

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Name:
Title:

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

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

and

**WILMINGTON TRUST COMPANY,
as Trustee**

First Supplemental Indenture
Dated as of February 14, 2011

11 $\frac{7}{8}$ % Senior Notes due 2015

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SCHEDULE:

1. Guarantors
2. Unrestricted Subsidiaries

EXHIBIT:

- A. Form of Note
- B. Form of Notation on Note Relating to Guarantee
- C. Form of Supplemental Indenture

FIRST SUPPLEMENTAL INDENTURE dated as of February 14, 2011 (“**Supplemental Indenture**”) by and among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNANIAN ENTERPRISES, INC., a Delaware Corporation (“**Hovnanian**”), each of the other Guarantors (as defined herein) and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as trustee (the “**Trustee**”), supplementing the Indenture dated as of February 14, 2011 by and among the Issuer, Hovnanian and Wilmington Trust Company (the “**Base Indenture**” and as supplemented by this Supplemental Indenture, the “**Indenture**”).

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of Notes (as defined herein):

WHEREAS, Hovnanian and the Issuer have duly authorized the execution and delivery of the Base Indenture to provide for the issuance from time to time of the Issuer’s Securities to be issued in one or more series as in the Indenture provided and the Guarantees thereof;

WHEREAS, the Issuer and the Guarantors desire and have requested the Trustee to join them in the execution and delivery of this Supplemental Indenture in order to establish and provide for the issuance by the Issuer of a series of Securities designated as its 11%% Senior Notes due 2015 (the “**Notes**”), substantially in the form attached hereto as Exhibit A and guaranteed (the “**Guarantees**”) by Hovnanian and the Guarantors (as defined herein), on the terms set forth herein;

WHEREAS, the Issuer now wishes to issue Notes in an aggregate principal amount of \$155,000,000;

WHEREAS, the conditions set forth in the Base Indenture for the execution and delivery of this Supplemental Indenture have been complied with; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, the Guarantors and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Base Indenture have been done;

NOW, THEREFORE:

In consideration of the premises and the purchase and acceptance of the Notes by the Holders thereof, the Issuer and the Guarantors mutually covenant and agree with the Trustee, for the equal and ratable benefit of the Holders of the Notes, that the Base Indenture is supplemented and amended, to the extent expressed herein, as follows:

ARTICLE 1

SCOPE OF SUPPLEMENTAL INDENTURE; GENERAL

Section 1.01. *Scope of Supplemental Indenture; General.* This Supplemental Indenture supplements, and to the extent inconsistent therewith, replaces, the provisions of the Base Indenture, to which provisions reference is hereby made.

The changes, modifications and supplements to the Base Indenture effected by this Supplemental Indenture shall be applicable only with respect to, and govern the terms of, the Notes (which shall be initially in the aggregate principal amount of \$155,000,000) and shall not apply to any other Securities that have or may be issued under the Indenture unless a supplemental indenture with respect to such other Securities specifically incorporates such changes, modifications and supplements. Pursuant to this Supplemental Indenture, there is hereby created and designated a series of Securities under the Indenture entitled "11%% Senior Notes due 2015." The Notes shall be in the form of Exhibit A hereto, the terms of which are incorporated herein by reference. The Notes shall be guaranteed by the Guarantors as provided in such form and the Indenture.

Subject to Section 3.05 hereof, the Issuer may issue additional notes subsequent to the Issue Date (such notes, the "Additional Notes") of the same series as the Notes. In the event that the Issuer shall issue and the Trustee shall authenticate any Additional Notes issued under this Supplemental Indenture subsequent to the Issue Date, the Issuer shall use its best efforts to obtain the same "CUSIP" number for such Notes as is printed on the Notes outstanding at such time; *provided, however*, that if any series of Notes issued under this Supplemental Indenture subsequent to the Issue Date is determined to be a different class of security than the Notes outstanding at such time for federal income tax purposes, the Issuer may obtain a "CUSIP" number for such Notes that is different than the "CUSIP" number printed on the Notes then outstanding. Notwithstanding the foregoing, all Notes issued under this Supplemental Indenture shall vote and consent together on all matters as one class, including without limitation, waivers, amendments, redemption and Offers to Purchase, and no Notes will have the right to vote or consent as a separate class from other Notes on any matter.

ARTICLE 2

CERTAIN DEFINITIONS

Section 2.01. *Certain Definitions.* Section 1.1 of the Base Indenture is hereby amended by adding the following definitions in their proper alphabetical order which, in the event of a conflict with the definition of terms in the Base

Indenture, shall govern. Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Base Indenture.

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

“**Additional Notes**” has the meaning ascribed to it in Section 1.01 hereof.

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

“**Affiliate Transaction**” has the meaning ascribed to it in Section 3.07(a) hereof.

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

“**Asset Acquisition**” means (a) an Investment by Hovnanian, 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 Hovnanian, the Issuer or any Restricted Subsidiary or (b) the acquisition by Hovnanian, 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 Hovnanian, 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 \$5.0 million. The term “**Asset Disposition**” shall not include:

- (a) a transaction between Hovnanian, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,
- (b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements),
- (c) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary,
- (d) any exchange or swap of assets of Hovnanian, the Issuer or any Restricted Subsidiary for assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following receipt thereof) that (x) are to be used by Hovnanian, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (y) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,
- (e) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by Section 3.12 hereof,
- (f) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business,
- (g) the creation of a Permitted Lien and dispositions in connection with Permitted Liens, or
- (h) any Restricted Payment or Permitted Investment.

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

“**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, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

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

“**Cash Equivalents**” means

(a) U.S. dollars;

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

(c) certificates of deposit 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 \$500.0 million;

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

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

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

“**Certificated Note**” means a Note registered in individual form without interest coupons.

“Change of Control” means

(a) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of Hovnanian 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 Hovnanian immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;

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

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

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

(e) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of Hovnanian or the Issuer which requires Hovnanian 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 (a) vote in the election of directors of such Person or (b) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“Concurrent Offerings” means (i) the issuance by Hovnanian of 13,512,500 shares of its Class A Common Stock on February 9, 2011 pursuant to a prospectus supplement dated February 3, 2011 to a prospectus dated January 28, 2011 and (ii) the issuance by the Issuer and Hovnanian of 3,000,000 7.25% tangible equity units on February 9, 2011 and 450,000 7.25% tangible equity units on February 14, 2011, in each case, pursuant to a prospectus supplement dated February 3, 2011 to a prospectus dated January 28, 2011.

“Consolidated Cash Flow Available for Fixed Charges” means, for any period, Consolidated Net Income for such period plus (each to the extent deducted

in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

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

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

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

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

(b) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of Hovnanian, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day

of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the inclusion, notwithstanding clause (b) of the definition of “Consolidated Net Income,” of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; *provided, however*, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of “Consolidated Net Income,” other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

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

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

(1) 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

(2) notwithstanding clause (1) 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 Hovnanian for any period means the Interest Expense of Hovnanian, 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 Hovnanian, 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 Hovnanian and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; *provided*, that there will be

excluded from such net income (loss) (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than Hovnanian, 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 Hovnanian, 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 Hovnanian's, the Issuer's or such Restricted Subsidiary's (as applicable) *pro rata* share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,

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

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

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

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

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 3.06(a) hereof, clause (d)(ii) above shall not be applicable.

“**Continuing Director**” means a director who either was a member of the Board of Directors of Hovnanian on the Issue Date or who became a director of Hovnanian subsequent to such date and whose election or nomination for election by Hovnanian’s stockholders, was duly approved by a majority of the Continuing Directors on the Board of Directors of Hovnanian at the time of such approval, either by a specific vote or by approval of the proxy statement issued by Hovnanian on behalf of the entire Board of Directors of Hovnanian 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, one or more credit facilities and lines of credit among or between Hovnanian or one or more Restricted Subsidiaries and one or more lenders pursuant to which Hovnanian 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, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option

of the holder thereof, in whole or in part, on or prior to the final maturity date of the Notes or (b) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (i) debt securities or (ii) any Capital Stock referred to in (a) above, in each case, at any time prior to the final maturity date of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require Hovnanian or the Issuer to repurchase or redeem such Capital Stock upon the occurrence of a change in control or asset disposition occurring prior to the final maturity date of the Notes shall not constitute Disqualified Stock if the change in control or asset disposition provision applicable to such Capital Stock are no more favorable to such holders than the provisions of Section 3.04 and Section 3.08 hereof, as applicable, and such Capital Stock specifically provides that Hovnanian or the Issuer, as applicable, will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to Hovnanian's or the Issuer's, as applicable, repurchase of the Notes as are required pursuant to Section 3.04 or Section 3.08 hereof, as applicable.

“**DTC**” has the meaning ascribed to such term in Section 8.02 hereof.

“**Equity Offering**” means any public or private sale, after the Issue Date, of Qualified Stock of Hovnanian, other than (a) an Excluded Contribution, (b) public offerings registered on Form S-4 or S-8 or any successor form thereto or (c) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

“**Event of Default**” means any event specified as such in Section 4.01 hereof.

“**Excluded Contribution**” means cash or Cash Equivalents received by Hovnanian as capital contributions to its equity (other than through the issuance of Disqualified Stock) or from the issuance or sale (other than to a Subsidiary) of Qualified Stock of Hovnanian, in each case, after January 31, 2008 (*provided* that the amount of Excluded Contributions under this Indenture shall be reduced by the amount of any Restricted Payments (as defined under the Senior Secured Notes Indenture) made with Excluded Contributions prior to the Issue Date pursuant to the Senior Secured Notes Indenture) and to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of Hovnanian; *provided* that any cash proceeds received in connection with the Concurrent Offerings shall not constitute Excluded Contributions.

“**expiration date**” has the meaning ascribed to it in Section 3.09(b) hereof.

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

“**Global Note**” has the meaning ascribed to such term in Section 8.01 hereof.

“**Global Note Holder**” has the meaning ascribed to such term in Section 8.02 hereof.

“**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.

“**Guarantors**” means (i) initially, Hovnanian and each of the other Guarantors signatory hereto as set forth on Schedule 1 hereto, which includes each of Hovnanian’s Restricted Subsidiaries in existence on the Issue Date, other than the Issuer and K. Hovnanian Poland, sp.zo.o. and (ii) each of Hovnanian’s Subsidiaries that becomes a Guarantor of the Notes pursuant to the provisions of this Indenture, and their successors, in each case until released from its respective Guarantee pursuant to this Indenture.

“**Holder**”, “**Holders**”, “**Holder of Notes**”, “**Holders of Notes**” and similar terms mean in the case of a Note, the Person in whose name such Note is registered in the books of the Registrar for the Notes.

“**Hovnanian**” has the meaning ascribed to it in the preamble hereof.

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

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

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

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided, however*, that Indebtedness of Hovnanian and its Restricted Subsidiaries will not include the obligations of Hovnanian or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 3.06 hereof,

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

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

provided, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described

above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) above at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, and (iii) in the case of clause (d) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

“**Indenture**” has the meaning ascribed to it in the preamble hereof.

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

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

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

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

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

“**Issue Date**” means February 14, 2011.

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

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

“**Make-Whole Amount**” means, in connection with any optional redemption of any Note pursuant to Section 9.01 hereof, the excess, if any, of: (a) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the Treasury Rate (determined on the business day preceding the date of such redemption) plus 0.50%, from the respective dates on which such principal and interest would have been payable if such payment had not been made; over (b) the principal amount of the Note being redeemed.

“**Marketable Securities**” means (a) equity securities that are listed on the New York Stock Exchange, the NYSE Amex or The Nasdaq Stock Market and (b) debt securities that are rated by a nationally recognized rating agency, listed on the New York Stock Exchange or the NYSE Amex 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 Hovnanian substantially all of whose operations consist of the mortgage lending business.

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

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

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

“Obligations” means with respect to any Indebtedness, all obligations (whether in existence on the Issue Date or arising afterwards, absolute or

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

“**offer**” has the meaning ascribed to it in Section 3.09(a) hereof.

“**Offer to Purchase**” has the meaning ascribed to it in Section 3.09(a) hereof.

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

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

“**Permitted Indebtedness**” means

(a) Indebtedness under Credit Facilities incurred after the Issue Date in an aggregate amount incurred under this clause (a) that, together with the principal amount then outstanding of Senior Secured Notes (and any Refinancing Indebtedness in respect thereof), does not exceed \$785.0 million principal amount outstanding at any one time;

(b) Indebtedness under the Notes, other than Additional Notes;

(c) Indebtedness outstanding on the Issue Date, including the Senior Secured Notes, but excluding Indebtedness constituting Permitted Indebtedness pursuant to clauses (d), (e), (f), (h) or (j) below, which shall instead be incurred under such clauses;

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

(e) intercompany debt obligations of (i) Hovnanian to the Issuer, (ii) the Issuer to Hovnanian, (iii) Hovnanian or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to Hovnanian or the Issuer or any other Restricted Subsidiary; *provided, however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or Hovnanian owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 3.05(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

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

(g) Purchase Money Indebtedness and Capitalized Lease Obligations in an aggregate principal amount outstanding at any one time not to exceed \$25.0 million;

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

(i) Indebtedness secured only by office buildings owned or occupied by Hovnanian or any Restricted Subsidiary, which Indebtedness does not exceed \$10.0 million aggregate principal amount outstanding at any one time;

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

(k) Indebtedness of Hovnanian or any Restricted Subsidiary which, together with all other Indebtedness under this clause (k), does not exceed \$50.0 million aggregate principal amount outstanding at any one time.

“**Permitted Investment**” means

(a) Cash Equivalents;

(b) any Investment in Hovnanian, 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, Hovnanian or a Restricted Subsidiary;

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

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

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

(f) any loan or advance to an executive officer, director or employee of Hovnanian or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided, however*, that any such loan or advance exceeding \$1.0 million shall have been approved by the Board of Directors of Hovnanian or a committee thereof consisting of disinterested members;

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

(h) obligations of Hovnanian or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages; and

(i) Investments in an aggregate amount outstanding not to exceed \$10.0 million.

"Permitted Liens" means

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

(b) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to

the extent applicable, either (i) are not yet delinquent or (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required,

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

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

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

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

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

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

(i) Liens securing (1) Indebtedness of Hovnanian, the Issuer or any Restricted Subsidiary permitted to be incurred under this Indenture and Obligations in respect thereof; *provided*, that the aggregate principal amount of Indebtedness of Hovnanian, the Issuer and the Restricted Subsidiaries secured by Liens incurred pursuant to this clause (i), together with (x) the aggregate principal amount of the Senior Secured Notes outstanding at such time and (y) the aggregate principal amount of any Refinancing Indebtedness in respect of the Senior Secured Notes that is secured by any assets of Hovnanian, the Issuer or

any Restricted Subsidiary, shall not exceed \$810.0 million and (2) Refinancing Indebtedness in respect of Indebtedness referred to in clause (1),

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

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

(l) Liens on property or assets of Hovnanian, the Issuer or any Restricted Subsidiary securing Indebtedness of Hovnanian, the Issuer or any Restricted Subsidiary owing to Hovnanian, the Issuer or one or more Restricted Subsidiaries (other than K. Hovnanian Poland, sp.z.o.o.),

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

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

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

(p) any right of a lender or lenders to which Hovnanian, 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 Hovnanian, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates,

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

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

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced; *provided* further that no Liens may be incurred under this clause (s) in respect of Refinancing Indebtedness incurred to refinance Indebtedness that is secured by Liens incurred under clause (i) above,

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

(u) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Hovnanian or any Subsidiary of Hovnanian or becomes a Subsidiary of Hovnanian; *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 Hovnanian or the Subsidiary or acquired by Hovnanian or its Subsidiaries,

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

(w) Liens existing on the Issue Date (including Liens securing the Senior Secured Notes) and any extensions, renewals or replacements thereof, and

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

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

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

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

"purchase amount" has the meaning ascribed to it in Section 3.09(b) hereof.

“**purchase date**” has the meaning ascribed to it in Section 3.09(b) hereof.

“**Purchase Money Indebtedness**” means Indebtedness of Hovnanian, 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 Hovnanian, the Issuer and the Restricted Subsidiaries; *provided, however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

“**Qualified Stock**” means Capital Stock of Hovnanian 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 Hovnanian (as certified by a resolution of the Board of Directors of Hovnanian) which shall be substituted for S&P or Moody’s, or both, as the case may be.

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

“**Refinancing Indebtedness**” means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of Hovnanian, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness described under clauses (a) and (d) through (k) of the definition thereof) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by Hovnanian, the Issuer or any Restricted Subsidiary pursuant to the terms of the Indenture after the Issue Date, but only to the extent that:

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

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

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

portion of the Indebtedness being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Notes, and

(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended (plus (i) fees and expenses and (ii) accrued interest and the amount of any premiums (including tender premiums), in each case incurred in connection with the refinancing thereof);

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

“**Registrar**” means a Person engaged to maintain the security register for the Notes.

“**Repurchase Date**” has the meaning ascribed to it in Section 3.04(a) hereof.

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

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

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of Hovnanian, 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 Hovnanian, the Issuer or any Restricted Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock and (ii) in the case of the Issuer or Restricted Subsidiaries, dividends or distributions payable to Hovnanian, the Issuer or a Restricted Subsidiary);

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

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

“**Restricted Subsidiary**” means any Subsidiary of Hovnanian 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.

“**Senior Secured Notes**” means the Issuer’s 10 5/8% Senior Secured Notes due 2016 issued on October 20, 2009 (and any exchange notes issued in exchange therefor in compliance with the registration rights agreement dated October 20, 2009 among the Issuer, Hovnanian, the other guarantors party thereto and the initial purchasers named therein, and guarantees of such exchange notes).

“**Senior Secured Notes Indenture**” means the Indenture dated as of October 20, 2009, among the Issuer, the Company, the other guarantors named therein and Wilmington Trust Company, as Trustee.

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

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

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

“**Successor**” has the meaning ascribed to it in Section 3.12(a) hereof.

“**Supplemental Indenture**” has the meaning ascribed to it in the preamble hereof.

“**Suspended Covenants**” has the meaning ascribed to such term in Section 3.14 hereof.

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

maturity of the Note being prepaid. If no maturity exactly corresponds to such maturity, yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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

“**Unrestricted Subsidiary**” means any Subsidiary of Hovnanian so designated by a resolution adopted by the Board of Directors of Hovnanian 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 Hovnanian, the Issuer or any Restricted Subsidiary, and neither Hovnanian, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by the Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of “Non-Recourse Indebtedness,” or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of Hovnanian, 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 Hovnanian, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the Subsidiaries of Hovnanian named in Schedule 2 hereto.

Subject to the foregoing, the Board of Directors of Hovnanian or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided, however*, that (a) the net amount (the “**Designation Amount**”) then outstanding of all previous Investments by Hovnanian and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 3.06 hereof to the extent provided therein, (b) Hovnanian must be permitted under Section 3.06 hereof to make the Restricted Payment deemed to have been made pursuant to clause (a), and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary

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

The Board of Directors of Hovnanian or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 3.05 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, Hovnanian and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under Section 3.05(a) hereof. Any such designation or redesignation by the Board of Directors of Hovnanian or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of Hovnanian 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 Hovnanian of which more than 95% of the equity interest is held by Hovnanian or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

Section 2.02. Rules of Construction. Unless the context otherwise requires or except as otherwise expressly provided,

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

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

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

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

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

ARTICLE 3

COVENANTS

Section 3.01. Existence. Hovnanian and the Issuer will each do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of Hovnanian, the Issuer and each Restricted Subsidiary, *provided* that Hovnanian and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Hovnanian and its Restricted Subsidiaries taken as a whole; and *provided further* that this Section does not prohibit any transaction otherwise permitted by Sections 3.08 and 3.12 hereof.

Section 3.02. Payment of Taxes and Other Claims. Hovnanian will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon Hovnanian or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of Hovnanian or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Section 3.03. Maintenance of Properties and Insurance. Hovnanian will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of Hovnanian may be necessary so that the business of Hovnanian and its Restricted Subsidiaries may be properly and advantageously conducted at all times; *provided* that nothing in this Section

3.03 shall prevent Hovnanian or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of Hovnanian, desirable in the conduct of the business of Hovnanian and its Restricted Subsidiaries taken as a whole.

Section 3.04. Repurchase of Notes Upon Change of Control.

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

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

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

Section 3.05. Limitations on Indebtedness.

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

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

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes,
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Indenture, and

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

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

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

(d) Hovnanian 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 Hovnanian 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 Hovnanian or such Guarantor, as the case may be.

Section 3.06. Limitations on Restricted Payments.

(a) Hovnanian and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (ii) immediately after giving effect to such Restricted Payment, Hovnanian could incur at least \$1.00 of Indebtedness pursuant to Section 3.05(a) hereof; and

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

(A) 50% of the Consolidated Net Income of Hovnanian on a cumulative basis during the period (taken as one accounting period) from and including February 1, 2011 and ending on the last day of Hovnanian'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, Hovnanian from (1) any capital contribution to Hovnanian after the Issue Date or any issue or sale after the Issue Date of Qualified Stock (other than (a) to any Subsidiary of Hovnanian, (b) any Excluded Contribution and (c) from the Concurrent Offerings) and (2) the issue or sale after the Issue Date of any Indebtedness or other securities of Hovnanian convertible into or exercisable for Qualified Stock of Hovnanian that have been so converted or exercised, as the case may be, *plus*

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to the Issue Date, that would have constituted a Restricted Payment if made after the Issue Date, if such disposition or repayment results in cash received by Hovnanian, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income

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

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after the Issue Date, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after the Issue Date, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of Hovnanian 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) \$10.0 million.

(b) Clauses (ii) and (iii) of paragraph (a) of this Section 3.06 will not prohibit:

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

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

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

not to exceed the amount of such Restricted Investment previously made pursuant to this clause (iii));

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of \$10.0 million in any fiscal year; *provided* that immediately after giving effect to any declaration of such dividend, Hovnanian could incur at least \$1.00 of Indebtedness pursuant to Section 3.05(a) hereof; and

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of Hovnanian or any Subsidiary held by officers or employees or former officers or employees of Hovnanian or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10.0 million in the aggregate since the Issue Date;

provided, however, that each Restricted Payment described in clauses (i) and (ii) of this paragraph (b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of paragraph (a) of this Section 3.06.

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

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of paragraph (a) of this Section 3.06 Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, NYSE Amex or The Nasdaq Stock Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10.0 million) of such Capital Stock or other securities as determined

by a nationally recognized investment banking firm retained by the Board of Directors of Hovnanian.

Section 3.07. Limitations on Transactions with Affiliates.

(a) Hovnanian 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 Hovnanian or any Affiliate of any of Hovnanian's Subsidiaries or any holder of 10% or more of the Common Equity of Hovnanian (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 Hovnanian, 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 Hovnanian or any of Hovnanian's Subsidiaries.

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

(i) with respect to any such Affiliate Transaction involving or having a value of more than \$1.0 million, Hovnanian shall have (x) obtained the approval of a majority of the Board of Directors of Hovnanian and (y) either obtained the approval of a majority of Hovnanian's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to Hovnanian, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$10.0 million, Hovnanian shall have (x) obtained the approval of a majority of the Board of Directors of Hovnanian and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to Hovnanian, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

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

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of Hovnanian or its

Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of Hovnanian,

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

(iii) any Restricted Payment otherwise permitted under Section 3.06 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below),

(iv) any transaction between or among Hovnanian and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (*provided, however*, no such transaction shall involve any other Affiliate of Hovnanian (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Indenture)),

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

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

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

Section 3.08. Limitations on Dispositions of Assets. (a) Hovnanian and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (x) Hovnanian (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by Hovnanian (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities.

(b) The amount of (i) any Indebtedness (other than Subordinated Indebtedness) of Hovnanian 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 Hovnanian) of any property or assets (including Capital Stock of any Person that will be a Restricted Subsidiary following receipt thereof) received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (y) above for purposes of determining the percentage of such consideration received by Hovnanian or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition shall, within one year, at Hovnanian's election, (1) be used by Hovnanian or a Restricted Subsidiary to (A) invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in the business of the construction and sale of homes conducted by Hovnanian and the Restricted Subsidiaries or (B) permanently prepay or repay secured Indebtedness of Hovnanian or any Guarantor (and, if the Indebtedness is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) or (2) to the extent not so used, be applied to make an Offer to Purchase Notes and, if Hovnanian or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem any other unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption. Pending any such application under this paragraph, Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by the Indenture.

(d) Notwithstanding the foregoing, (A) Hovnanian will not be required to apply such Net Cash Proceeds in accordance with clause (2) of paragraph (c) of this Section 3.08 except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed \$25.0 million and (B) in connection with an Asset Disposition, Hovnanian and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of paragraph (a) of this Section 3.08 to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed \$25.0 million; *provided, however*, that when any non-cash consideration is

converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to paragraph (c) of this Section 3.08.

Section 3.09. Offer to Purchase. (a) An **“Offer to Purchase”** means an offer by the Issuer to purchase Notes as required by the Indenture. An Offer to Purchase must be made by written offer (the **“offer”**) sent to the Holders. The Issuer will notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer will be sent by the Issuer or, at the Issuer’s request, by the Trustee in the name and at the expense of the Issuer.

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

- (i) the provision of the Indenture pursuant to which the Offer to Purchase is being made;
- (ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to the Indenture) (the **“purchase amount”**);
- (iii) the purchase price, including the portion thereof representing accrued interest;
- (iv) an expiration date (the **“expiration date”**) not less than 30 days or more than 60 days after the date of the offer, and a settlement date for purchase (the **“purchase date”**) not more than five Business Days after the expiration date;
- (v) information concerning the business of Hovnanian and its Subsidiaries which the Issuer in good faith believes will enable the Holders to make an informed decision with respect to the Offer to Purchase, at a minimum to include or incorporate by reference:
 - (A) the most recent annual and quarterly financial statements and **“Management’s Discussion and Analysis of Financial Condition and Results of Operations”** for Hovnanian,
 - (B) a description of material developments in Hovnanian’s business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

- (C) if applicable, appropriate *pro forma* financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;
- (vi) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in denominations of \$2,000 principal amount and any multiple of \$1,000 in excess of thereof;
- (vii) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;
- (viii) each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);
- (ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, will continue to accrue;
- (x) on the purchase date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date;
- (xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;
- (xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer will purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer will purchase Notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only Notes in denominations of \$2,000 principal amount and any multiples of \$1,000 in excess thereof will be purchased;

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

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

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

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

Section 3.10. Limitations on Liens. Hovnanian and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens securing any obligation or liability, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

Section 3.11. Limitations on Restrictions Affecting Restricted Subsidiaries. Hovnanian and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

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

- (b) make loans or advances to Hovnanian or any other Restricted Subsidiary, or
- (c) transfer any of its property or assets to Hovnanian or any other Restricted Subsidiary,

except for:

- (i) encumbrances or restrictions existing under or by reason of applicable law,
- (ii) contractual encumbrances or restrictions in effect at or entered into on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, *provided* that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are 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 at or entered into on the Issue Date,
- (iii) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided, however*, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of Hovnanian to pay dividends or make or repay loans or advances prior to default thereunder,
- (vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Indenture,

- (vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (ix) encumbrances or restrictions existing under or by reason of the Indenture, the Notes or the Guarantees,
- (x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 3.11,
- (xi) Liens permitted under the Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (xiii) customary provisions of any franchise, distribution or similar agreements,
- (xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 3.11 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this Section 3.11, *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of Hovnanian's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

Section 3.12. *Limitations on Mergers, Consolidations and Sales of Assets.* This Section 3.12 shall replace the provisions contained in Sections 9.1 and 9.2 of

the Base Indenture in their entirety and the references to (i) Article Nine in Section 9.3 of the Base Indenture shall refer to this Section 3.12 and (ii) Sections 9.1 or 9.2 elsewhere in the Base Indenture shall refer to this Section 3.12.

Neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or the Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which Hovnanian, 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:

(a) the Person formed by or surviving such consolidation or merger (if other than Hovnanian, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the “**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 Hovnanian, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture,

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

(c) immediately after giving effect to such transaction, Hovnanian (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to Section 3.05(a) hereof.

The foregoing provisions shall not apply to: (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 5.02 hereof, or (ii) a transaction the purpose of which is to change the state of incorporation of Hovnanian, the Issuer or any Guarantor.

Section 3.13. Reports to Holders of Notes. (a) This Section 3.13(a) shall replace the provisions contained in Section 4.3(a) of the Base Indenture in its entirety and the references to Section 4.3(a) in Article Four or elsewhere in the Base Indenture shall refer to this Section 3.13(a).

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

(b) The posting of the reports, information and documents referred to in Section 3.13(a) on Hovnanian’s website or one maintained on its behalf for such purpose shall be deemed to satisfy Hovnanian’s delivery obligations to the Trustee and the Holders. In addition, availability of the foregoing materials on the Commission’s EDGAR service shall be deemed to satisfy Hovnanian’s delivery obligations to the Trustee and the Holders.

(c) The following shall be added at the end of the first sentence of Section 4.3(d) of the Base Indenture: “and include in such Officers’ Certificate if any officer of Hovnanian is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action Hovnanian is taking or proposes to take with respect thereto”.

Section 3.14. Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade.

(a) The Issuer, Hovnanian and its Restricted Subsidiaries’ obligations to comply with the provisions of the Indenture under this Article 3 (except for Sections 3.01, 3.02, 3.03, 3.04, 3.10, 3.12 (other than clause (c) of the first paragraph thereof), 3.13 and 3.15 hereof) will be suspended (such suspended covenants, the “**Suspended Covenants**”) and cease to have any further effect from and after the first date when the Notes issued under the Indenture are rated Investment Grade (the “**Suspension Date**”); *provided* that if the Notes subsequently cease to be rated Investment Grade, then, from and after the time the Notes cease to be rated Investment Grade, the Issuer’s, Hovnanian’s and its Restricted Subsidiaries’ obligation to comply with the Suspended Covenants shall be reinstated.

(b) With respect to Restricted Payments made after any such reinstatement of the obligations to comply with the Suspended Covenants, the

amount of Restricted Payments made after the Issue Date will be calculated as though Section 3.06 of this Supplemental Indenture had been in effect during the entire period after such date. Accordingly, Restricted Payments made after the Suspension Date will reduce the amount available to be made as Restricted Payments under Section 3.06(a) of this Supplemental Indenture.

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

(d) The Issuer shall promptly notify the Trustee of any suspension or reinstatement of the Suspended Covenants.

Section 3.15. *Applicability of Covenants Contained in the Base Indenture.* Each of the agreements and covenants of the Issuer and/or Hovnanian, as applicable, contained in Article Three of the Base Indenture shall apply to the Notes.

ARTICLE 4

REMEDIES

Section 4.01. *Events of Default.* (a) “**Event of Default**” means any one or more of the following events and this Section 4.01(a) (i) through (ix) replaces Section 5.1 (a) through (h) of the Base Indenture in its entirety:

(i) the failure by Hovnanian, the Issuer and the Guarantors to pay interest on any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by Hovnanian, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by Hovnanian, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees or the Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Sections 3.04 and 3.12 hereof, which will constitute Events of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of Hovnanian, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by Hovnanian, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of Hovnanian or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against Hovnanian, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

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

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

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

(A) is for relief against Hovnanian, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

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

(C) orders the liquidation of Hovnanian, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days; or

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

A Default as described in subclause (iii) above will not be deemed an Event of Default until the Trustee notifies Hovnanian, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify Hovnanian and the Trustee, of the Default and (except in the case of a default with respect to Sections 3.04 and 3.12 hereof) Hovnanian 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.

(b) The first sentence of the second paragraph in Section 5.1 of the Base Indenture is replaced, with respect to the Notes, in its entirety with the following and the third paragraph in Section 5.1 of the Base Indenture is deleted in its entirety:

If an Event of Default (other than an Event of Default with respect to Hovnanian or the Issuer resulting from subclauses (vii) or (viii) of Section 4.01(a)), shall have occurred and be continuing under the Indenture, the Trustee by notice to Hovnanian, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to Hovnanian and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to Hovnanian or the Issuer specified in subclauses (vii) or (viii) of Section 4.01(a) 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 Hovnanian or any Holder.

Section 4.02. Additional Provisions Related to Events of Default. The provisions of Sections 5.1 (except as specified above), 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8 and 5.9 of the Base Indenture shall apply to the Notes; *provided* that (x) the reference in the last paragraph of Section 5.1 of the Base Indenture shall be to clauses (i) and (ii) of Section 4.01(a) hereof, (y) the first clause of the parenthetical contained in Section 5.8 of the Base Indenture shall be replaced with the following: “(the term “defaults” for the purposes of this Section 5.8 being hereby defined to be any Event of Default as defined in this Supplemental Indenture, not including periods of grace, if any, provided for therein” and (z) all references contained in Section 5.8 of the Base Indenture to clause (d) shall be replaced with the following: “clause (iii) of Section 4.01(a)”.

In addition, Hovnanian is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

ARTICLE 5

GUARANTEES; RELEASE OF GUARANTOR

Section 5.01. Unconditional Guarantees. (a) Hovnanian and each of the other Guarantors hereby (and will so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary) Guarantee the Notes in accordance with the provisions of Article Thirteen of the Base Indenture.

(b) Each Guarantor, by execution hereof, agrees to be bound by the Base Indenture, as supplemented by this Supplemental Indenture, with respect to the Notes as if such Guarantor was a party to both the Base Indenture and this Supplemental Indenture.

(c) Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer) and K. Hovnanian Poland, sp.z.o.o.) will be a Guarantor. Hovnanian is permitted to cause any Unrestricted Subsidiary to be a Guarantor. If the Issuer, Hovnanian or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Issue Date, the new Restricted Subsidiary shall (subject to Section 5.02(b) hereof) provide a Guarantee Notation, substantially in the form of Exhibit B hereto and shall also execute a supplemental indenture in the form of Exhibit C hereto, and deliver an Opinion of Counsel to the Trustee in accordance with Section 8.4 of the Base Indenture.

Section 5.02. Release of a Guarantor. (a) If all or substantially all of the assets of any Guarantor other than Hovnanian or all of the Capital Stock of any Guarantor other than Hovnanian is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by Hovnanian or any of its Subsidiaries, or, unless Hovnanian elects

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

(b) Upon the release of the guarantee by a Guarantor (including, for the avoidance of doubt, the Issuer after it ceases to be the Issuer pursuant to Article Fourteen of the Base Indenture) other than Hovnanian under all then outstanding Applicable Debt, at any time after the suspension of the Suspended Covenants pursuant to Section 3.14 hereof, (i) the Guarantee of such Guarantor under the Indenture will be released and discharged in respect of the Notes at such time; *provided* that the foregoing shall not apply to any release of any Guarantor done in contemplation of, or in connection with, any cessation of the Notes being rated Investment Grade, and (ii) no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor in respect of the Notes. In the event that (i) any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed) then any such released Guarantor will Guarantee the Notes on the terms and conditions set forth in the Indenture or (ii) the Suspended Covenants cease to be suspended pursuant to Section 3.14 hereof then all Restricted Subsidiaries of Hovnanian then existing (other than the Restricted Subsidiaries named in Section 5.01(c) hereof) will Guarantee the Notes on the terms and conditions set forth in the Indenture. For purposes of this clause (b), Applicable Debt secured by a Lien on such Restricted Subsidiary's Property or issued by such Restricted Subsidiary shall be deemed guaranteed by such Restricted Subsidiary.

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

Section 5.03. *Guarantors as "obligors" for Provisions Included in the Indenture Pursuant to the Trust Indenture Act of 1939.* Each provision included in the Indenture which is required to be included by any of Sections 310 to 317 of the Trust Indenture Act of 1939, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the Trust Indenture Act of 1939, and which applies to an "obligor," as that term is defined under the Trust Indenture Act of 1939, shall apply to each of the Guarantors.

ARTICLE 6

THE TRUSTEE

Section 6.01. Compensation and Indemnification of Trustee and Its Prior Claim. Solely with respect to the Notes to which this Supplemental Indenture relates, Section 6.6 of the Base Indenture is amended by replacing each occurrence of the word “Issuer” in such Section 6.6 with the word “Hovnanian.”

Section 6.02. Appointment Of Trustee. The Issuer hereby appoints Wilmington Trust Company as Trustee for the Notes, and Wilmington Trust Company accepts such appointment, subject to the terms and conditions of this Indenture.

ARTICLE 7

DEFEASANCE

Section 7.01. Defeasance. Except as stated below, the provisions of Article Ten of the Base Indenture shall apply to the Notes in their entirety; *provided*, that the “obligations” referred to in each of Section 10.2 and Section 10.3 of the Base Indenture will also apply to the “obligations” of Hovnanian and the Guarantors with respect to their Guarantees in the case of Section 10.2 of the Base Indenture and with respect to the covenants and events of default specified herein in the case of Section 10.3 of the Base Indenture.

Section 7.02. Additional Provisions to Survive Legal Defeasance and Discharge. Section 10.2 of the Base Indenture is hereby amended to (x) delete the “and” following clause (c) and before clause (d) of such section and to replace it with “;” and (y) add the following clauses (e) and (f) to the end of such section, “(e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders of Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them”.

Section 7.03. Additional Covenant Defeasance. In addition to the “obligations” referred to in Section 10.3 of the Base Indenture, “Covenant Defeasance”, as defined in such Section, will also apply to the release of obligations of the Issuer, Hovnanian and the Guarantors set forth in Section 3.04 through 3.11 hereof, inclusive, clause (c) of Section 3.12 hereof, Section 3.13 hereof, Section 5.01 hereof and each Guarantor’s obligations under its Guarantee Notation and clauses (iii) (with respect to the covenants so defeased), (iv), (v), (vi), (vii) (with respect to Significant Subsidiaries), (viii) (with respect to Significant Subsidiaries) and (ix) of Section 4.01(a) hereof will no longer constitute Events of Default or Defaults.

Section 7.04. *Section 10.4.* Section 10.4(b) of the Base Indenture is hereby amended by replacing the words “the date of this Indenture” with “February 14, 2011”.

Section 7.05. *Satisfaction and Discharge of the Indenture.* Section 10.9 of the Base Indenture is hereby amended by replacing the word “Event of Default” in clause (a) (iii) thereof with the word “Default.”

ARTICLE 8

THE NOTES

Section 8.01. *Form of Notes.* The Notes will be issued as Global Securities in the form of Exhibit A hereto (the “**Global Note**”). The terms of such Notes are herein incorporated by reference and are part of this Supplemental Indenture.

Section 8.02. *Depositary.* The Depositary for the Global Note will initially be The Depositary Trust Company (“**DTC**”) and the Global Note will be deposited on or about the Issue Date with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the “**Global Note Holder**”).

Section 8.03. *Certificated Notes.* In addition to the provisions set forth in Section 2.8 of the Base Indenture, any Person having a beneficial interest in the Global Note may, upon request to the Trustee, exchange such beneficial interest for Notes in the form of Certificated Notes. Upon any such issuance, the Trustee is required to register such Certificated Notes in the name of, and cause the same to be delivered to, such Person or Persons (or the nominee of any thereof).

Section 8.04. *Offices for Notices and Payments, etc.* The Issuer initially designates the Corporate Trust Office of the Trustee as the office or agency where the Notes may be presented for payment, registration of transfer and for exchange as provided for in this Indenture, and as the office or agency where notices and demands to or upon the Issuer and Hovnanian in respect of the Notes or of this Indenture may be served. The Issuer hereby appoints the Trustee as Registrar and Paying Agent and as the agent upon whom notices and demands may be served with respect to the Notes.

ARTICLE 9

REDEMPTION

Section 9.01. *Optional Redemption.* The Notes will be redeemable, in whole, at any time, or in part, from time to time, at the option of the Issuer upon not less than 30 nor more than 60 days' notice at a redemption price equal to the sum of:

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

The Trustee shall have no responsibility in connection with the calculation of such redemption price.

Section 9.02. *Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes.

Section 9.03. *Redemption with Proceeds of Equity Offering.* At any time and from time to time prior to April 15, 2014, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering of Hovnanian at a redemption price equal to 111.875% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes) *provided that*:

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

Section 9.04. *Applicability of Sections of the Base Indenture.* The provisions of Sections 12.2, 12.3 and 12.4 of the Base Indenture in respect of the Notes shall apply to any optional redemption of the Notes. Notwithstanding the foregoing, notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering. Section 12.5 of the Base Indenture shall not so apply.

ARTICLE 10

AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 10.01. Amendments, Supplements and Waivers. The Issuer, Hovnanian, the Guarantors and the Trustee may amend, supplement or waive the Indenture, the Guarantees or the Notes as provided in Article Eight of the Base Indenture; *provided*, that, in addition to the provisions specified in Section 8.1 of the Base Indenture, without the consent of, or notice to, any Holder, Hovnanian, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Guarantees to evidence the assumption by Hovnanian (or its successor entity) or a successor entity of the Issuer of the obligations of the Issuer under the Indenture and the Notes; *provided, further*, that, in addition to the provisions of Section 8.2 of the Base Indenture, no amendment, supplement or waiver shall, without the consent of each Holder affected: (i) alter the provisions (including related definitions) set forth in Article 9 hereof or Section 3.04 or 3.08 hereof; (ii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture or (iii) waive a continuing Default or Event of Default in the payment of principal of or interest on the Notes.

ARTICLE 11

RELEASE OF ISSUER

Section 11.01. Release of Issuer. The Issuer may be released from its obligations under the Indenture and the Notes in accordance with the provisions of Article Fourteen of the Base Indenture and the following is added at the end of clause (3) of Article Fourteen thereof: “until such time, if any, as such Guarantee may be released pursuant to Section 3.14 or Section 5.02 hereof.”

ARTICLE 12

MISCELLANEOUS

Section 12.01. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE, THE NOTES AND EACH GUARANTEE SHALL BE DEEMED TO BE A CONTRACT UNDER THE LAWS OF THE STATE OF NEW YORK AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE.

Section 12.02. No Adverse Interpretation of Other Agreements. This Supplemental Indenture may not be used to interpret another indenture (other than the Base Indenture) or loan or debt agreement of Hovnanian, the Issuer or any

subsidiary of Hovnanian. Any such indenture (other than the Base Indenture) or loan or debt agreement may not be used to interpret this Supplemental Indenture.

Section 12.03. Successors and Assigns. All covenants and agreements of the Issuer, Hovnanian and the Guarantors in this Supplemental Indenture and the Notes shall bind their respective successors and assigns and inure to the benefit of their respective successors and assigns. All agreements of the Trustee in this Supplemental Indenture shall bind its successors and assigns and inure to the benefit of their respective successors and assigns.

Section 12.04. Counterparts. The parties may sign any number of counterparts of this Supplemental Indenture. Each signed counterpart shall be an original, but all of them together represent the same agreement.

Section 12.05. Severability. To the extent permitted by applicable law, in case any one or more of the provisions contained in this Supplemental Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture or of the Notes.

Section 12.06. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 12.07. Conflict of Any Provision of Indenture with Trust Indenture Act of 1939. If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision included in this Supplemental Indenture or in the Base Indenture which is required to be included herein by any of Sections 310 to 317 of the Trust Indenture Act of 1939, inclusive, or is deemed applicable to this Indenture by virtue of the provisions of the Trust Indenture Act of 1939, such required provision shall control.

SIGNATURES

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

K. HOVNIANIAN ENTERPRISES, INC., as
the Issuer

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

HOVNIANIAN ENTERPRISES, INC., as
Guarantor

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

On behalf of each entity named in Schedule 1
hereto, as Guarantors

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

WILMINGTON TRUST COMPANY, as
Trustee

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Financial Services Officer

Guarantors

AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES NY, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF GEORGIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS LLC
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV INTERNATIONAL, INC.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT 4S, LLC
K. HOVNIANIAN AT ACQUA VISTA, LLC
K. HOVNIANIAN AT ALISO, LLC
K. HOVNIANIAN AT ALLENTOWN, L.L.C.
K. HOVNIANIAN AT ALMOND ESTATES, LLC
K. HOVNIANIAN AT ANDALUSIA, LLC
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC
K. HOVNIANIAN AT AVENUE ONE, L.L.C.
K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.

Schedule 1-1

K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CARMEL VILLAGE, LLC
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CRESTLINE, INC.
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 DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT DOVER, L.L.C.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNIANIAN AT ELK TOWNSHIP, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, L.L.C.
K. HOVNIANIAN AT EWING, L.L.C.
K. HOVNIANIAN AT FAIR OAKS, L.L.C.
K. HOVNIANIAN AT FIDDYMENT RANCH, LLC
K. HOVNIANIAN AT FIFTH AVENUE, 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 FRANKLIN II, L.L.C.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT FRESNO, LLC
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNIANIAN AT GILROY, LLC
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.
K. HOVNIANIAN AT GRIDLEY, LLC
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 HAZLET, L.L.C.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HUDSON POINTE, L.L.C.
K. HOVNIANIAN AT JACKSON I, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JAEGER RANCH, LLC
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT KEYPORT, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNIANIAN AT LA COSTA, LLC
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LA PAZ, LLC
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LANDMARK, LLC
K. HOVNIANIAN AT LARKSPUR, LLC
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 III, L.L.C.

K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LIVE OAK II, LLC
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 LOWER MORELAND III, L.L.C.
K. HOVNIANIAN AT MACUNGIE, L.L.C.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MALAN PARK, L.L.C.
K. HOVNIANIAN AT MANALAPAN III, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, L.L.C.
K. HOVNIANIAN AT MANSFIELD II, L.L.C.
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MANTECA, LLC
K. HOVNIANIAN AT MAPLE AVENUE, 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 MATSU, L.L.C.
K. HOVNIANIAN AT MELANIE MEADOWS, LLC
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MENIFEE, LLC
K. HOVNIANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNIANIAN AT MILLVILLE I, L.L.C.
K. HOVNIANIAN AT MILLVILLE II, L.L.C.
K. HOVNIANIAN AT MONROE II, INC.
K. HOVNIANIAN AT MONROE IV, L.L.C.
K. HOVNIANIAN AT MONROE NJ, L.L.C.
K. HOVNIANIAN AT MONTVALE, LLC
K. HOVNIANIAN AT MONTVALE II, L.L.C.
K. HOVNIANIAN AT MOSAIC, LLC
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MUIRFIELD, LLC
K. HOVNIANIAN AT NEW BRUNSWICK URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN. L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, 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 NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT OCEANPORT, L.L.C.
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PACIFIC BLUFFS, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PHILADELPHIA II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNIANIAN AT PITTSBORO, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.
K. HOVNIANIAN AT RANCHO 79, LLC
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT READINGTON II, L.L.C.
K. HOVNIANIAN AT RED BANK, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIDGESTONE, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC

K. HOVNIANIAN AT RIVERCREST, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SANTA FE SPRINGS, LLC
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAVANNAH LAKE, L.L.C.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SIERRA ESTATES, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT SPARTA, L.L.C.
K. HOVNIANIAN AT SPRINGCO, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SUNSETS, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TEANECK, L.L.C.
K. HOVNIANIAN AT THE CLIFFS, LLC
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TRENTON, L.L.C.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT UNION 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 MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WARMINSTER, LLC
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS CIP, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF VIRGINIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONNECTICUT ACQUISITIONS, L.L.C.
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC

K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CONNECTICUT, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF INDIANA, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, 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 NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES — DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT PAYNE STREET, L.L.C.
K. HOVNIANIAN HOMES AT PRIMERA, L.L.C.

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

K. HOVNIANIAN'S FOUR SEASONS AT BAILEY'S GLENN, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT HUNTFIELD, 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 LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, LLC
K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF MICHIGAN, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NATOMAS CENTRAL NEIGHBORHOOD HOUSING, L.L.C.

NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
REAL PROPERTY HOLDING — PRINCE GEORGE'S COUNTY, MD, LLC
RIDGEMORE UTILITY ASSOCIATES OF PENNSYLVANIA, L.L.C.
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
THE RESIDENCE AT DULLES PARKWAY CORPORATE CENTER, LLC
THE RESIDENCE AT GREENFIELD CROSSING, L.L.C.
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, LLC
WESTMINSTER HOMES OF TENNESSEE, INC.
WESTMINSTER HOMES, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WH/PR LAND COMPANY, L.L.C.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

Unrestricted Subsidiaries

12TH* STREET RESIDENTIAL, LTD.
77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
AG/HOV DELRAY HOLDINGS, L.L.C.
AG/HOV DELRAY, L.L.C.
BRIGHTBEACH DEVELOPMENT, LTD.
BRIGHTCHASE, LTD.
BRIGHTON HOMES AT WALDEN, LTD.
COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
FIRST MORTGAGE LENDERS OF FLORIDA, L.L.C.
GTIS-HOV FESTIVAL LAKES LLC
GTIS-HOV HOLDINGS LLC
GTIS-HOV POSITANO LLC
GTIS-HOV RANCHO 79 LLC
HERITAGE PINES, L.L.C.
HEXTER-FAIR LAND TITLE COMPANY I, INC.
HOVSITE CATALINA LLC
HOVSITE CHURCHILL CLUB LLC
HOVSITE CIDER GROVE LLC
HOVSITE FIRENZE LLC
HOVSITE FLORIDA HOLDINGS LLC
HOVSITE GREENWOOD MANOR LLC
HOVSITE HOLDINGS LLC
HOVSITE HUNT CLUB LLC
HOVSITE ILLINOIS HOLDINGS LLC
HOVSITE IRISH PRAIRIE LLC
HOVSITE LIBERTY LAKES LLC
HOVSITE MONTEVERDE 1 & 2 LLC
HOVSITE MONTEVERDE 3 & 4 LLC
HOVSITE PROVIDENCE LLC
HOVSITE SOUTHAMPTON LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNIANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
K. HOVNIANIAN AMERICAN MORTGAGE, L.L.C.
K. HOVNIANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNIANIAN AT DELRAY BEACH, L.L.C.
K. HOVNIANIAN AT EAGLE'S POINT, L.L.C.
K. HOVNIANIAN AT MANALAPAN II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA I, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.

Schedule 2-1

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
K. HOVNIANIAN AT TRENTON II, L.L.C.
K. HOVNIANIAN AT TRENTON URBAN RENEWAL, L.L.C.
K. HOVNIANIAN GT INVESTMENT, L.L.C.
K. HOVNIANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNIANIAN INVESTMENTS, L.L.C.
K. HOVNIANIAN JV HOLDINGS, L.L.C.
K. HOVNIANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNIANIAN MANALAPAN INVESTMENT, L.L.C.
K. HOVNIANIAN MINNESOTA HOLDINGS, LLC
K. HOVNIANIAN NASSAU GROVE HOLDINGS, L.L.C.
LAUREL HIGHLANDS, LLC
M&M AT MONROE WOODS, L.L.C.
MILLENNIUM TITLE AGENCY, LTD.
MM-BEACHFRONT NORTH I, L.L.C.
MM-BEACHFRONT NORTH II, L.L.C.
MSHOV HOLDING COMPANY, L.L.C.
NASSAU GROVE ENTERPRISES, L.L.C.
NORTH MANATEE, L.L.C.
OLD CITY DELAWARE, L.L.C.
OLD CITY DEVELOPMENT, INC.
OLD CITY JOINT DEVELOPMENT, L.L.C.
PI INVESTMENTS I, L.L.C.
PRESTON GRANDE HOMES, INC.
PRESTON PARKER, L. P.
RR HOUSTON DEVELOPERS, LLC
RR HOUSTON DEVELOPMENT, L.P.
RR HOUSTON INVESTMENT, L.P.
RR HOUSTON INVESTORS, LLC
TOWN HOMES AT MONTGOMERY, L.L.C.
WHI-REPUBLIC, LLC
WINDWARD HOME MORTGAGE, L.L.C.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

[THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY"), TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]¹

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. UPON REQUEST, THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO A HOLDER OF THIS NOTE INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE. HOLDERS SHOULD CONTACT THE CORPORATE CONTROLLER AT 110 WEST FRONT STREET, P.O. BOX 500, RED BANK, NEW JERSEY 07701.

¹ *This should be included only if the Note is issued in global form.*

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

REGISTERED — No. _____

CUSIP No.: 442488 BK7

\$_____ [, or such other amount as is provided
in the schedule of increases or decreases in the
global note attached hereto]²

11%% Senior Notes due 2015

K. Hovnianian Enterprises, Inc., a California corporation (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), for value received hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars (\$_____) [or such other amount as is provided in the schedule of increases or decreases in the global note attached hereto]² on October 15, 2015.

Interest Rate: 11%% per annum.

Interest Payment Dates: April 15 and October 15, commencing April 15, 2011

Interest Record Dates: April 1 and October 1

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

² For Global Notes.

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

Dated:

K. HOVNANIAN ENTERPRISES, INC.

By: _____

Name:

Title:

A-1

[Form of] Trustee's Certificate of Authentication

This is one of the Securities of the series designated herein referred to in the within mentioned Indenture.

WILMINGTON TRUST COMPANY, as
Trustee

By: _____
Authorized Signatory

[REVERSE SIDE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

11 $\frac{7}{8}$ % Senior Notes due 2015

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

1. Principal and Interest.

K. HOVNIANIAN ENTERPRISES, INC. (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Issuer will pay interest semiannually on April 15 and October 15 of each year, commencing April 15, 2011, until the principal is paid or made available for payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid, from February 14, 2011, *provided* that, if there is no existing default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding interest payment date, interest shall accrue from such succeeding interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Issuer promises to pay the principal of this Note on October 15, 2015.

2. Method of Payment.

The Issuer will pay interest on the Notes (except defaulted interest, if any, which will be paid on such special payment date to Holders of record on such special record date as may be fixed by the Issuer) to the persons who are registered Holders of Notes at the close of business on the April 1 and October 1 immediately preceding the interest payment date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Issuer will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payment of principal of, premium, if any, and interest on a Global Note registered in the name of, or held by the Depositary or its nominee will be made in immediately available funds to the Depositary or its nominee, as the case may be, as the registered Holder of such a Global Note. If any of the Notes are no longer represented by a Global Note, payment of interest on the definitive Notes may, at the Issuer’s option, be made by check mailed directly to Holders at their registered address.

3. Paying Agent and Registrar.

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

4. Indenture.

The Issuer issued the Notes under an Indenture among the Issuer, Hovnanian, the Guarantors and the Trustee, the terms of which have been established in the First Supplemental Indenture (the “**Supplemental Indenture**”) dated as of February 14, 2011, supplementing an Indenture dated February 14, 2011 (the “**Base Indenture**”, as supplemented by the Supplemental Indenture, the “**Indenture**”), pursuant to Section 2.3 of the Base Indenture. This Note is one of the Securities of the series designated as the “117/8% Senior Notes due 2015” of the Issuer. The Issuer may issue additional Notes of this series after this Note has been issued. This Note and any additional notes of this series subsequently issued under the Indenture shall be treated as a single series for all purposes under the Indenture and shall vote and consent together on all matters as one class, including, without limitation, waivers, amendments, redemption and offers to purchase. The terms of the Notes and the Guarantees include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (“**TIA**”), as in effect on the date of the Indenture. The Notes and the Guarantees are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of them. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: K. Hovnanian Enterprises, Inc., 110 West Front Street, Red Bank, New Jersey 07701, Attention: Corporate Controller.

5. Optional Redemption; Redemption with Proceeds of Equity Offering.

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

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

The Trustee shall have no responsibility in connection with the calculation of such redemption price.

“**Make-Whole Amount**” means, in connection with any optional redemption of any Note, the excess, if any, of: (a) the aggregate present value as 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 (b) the principal amount of the Note being redeemed.

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

At any time and from time to time prior to April 15, 2014, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering of Hovnanian at a redemption price equal to 111.875% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes) *provided* that:

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

If less than all of the Notes are to be redeemed at any time, the Trustee, within 10 Business Days after the Issuer gives written notice to the Trustee that such redemption is to occur, will select 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.

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

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

6. Repurchase Provisions.

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

7. Mandatory Redemption.

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

8. Denominations, Transfer, Exchange.

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

9. Persons Deemed Owners.

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

10. Discharge and Defeasance.

Subject to certain conditions set forth in the Indenture, the Issuer, Hovnanian and the Guarantors at any time may terminate some or all of their obligations under the Notes and the Indenture if the Issuer deposits with the Trustee money and/or U.S. Government Obligations for the payment of principal, premium, if any, and interest on the Notes to maturity or redemption, as the case may be.

11. Defaults and Remedies.

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

12. Amendment, Supplement and Waiver.

Subject to certain exceptions, the Indenture, the Notes or the Guarantees may be amended or supplemented, or future compliance therewith or default may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Issuer, Hovnanian, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Guarantees to, among other things set forth in the Indenture, cure any ambiguity, defect or inconsistency if such amendment or supplement does not adversely affect the legal rights of the Holders in any material respect.

13. Trustee Dealings With Issuer.

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

14. No Recourse Against Others.

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

15. Guarantees.

The Notes will be entitled to the benefits of certain Guarantees made for the benefit of the Holders. Reference is hereby made to the Indenture for a statement of the respective rights, limitation of rights, duties and obligations thereunder of the Guarantors, the Trustee and the Holders.

16. Governing Law.

THIS NOTE SHALL BE DEEMED TO BE A CONTRACT UNDER THE LAWS OF THE STATE OF NEW YORK AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF SUCH STATE.

17. CUSIP Numbers.

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

18. Authentication.

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

19. Abbreviations.

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

ASSIGNMENT FORM

If you the Holder want to assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Insert assignee's social security or tax ID number)

(Print or type assignee's name, address, and zip code)

and irrevocably appoint _____ agent to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: _____

Your signature: _____

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

Signature Guarantee:

Signature must be guaranteed by participant in a recognized
Signature Guarantee Medallion Program (or other signature
guarantor program reasonably acceptable to the Trustee)

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Issuer pursuant to Section 3.04 or 3.08 of the First Supplemental Indenture, check the box:

If you wish to have a portion of this Note purchased by the Issuer pursuant to Section 3.04 or 3.08 of the First Supplemental Indenture, state the amount (in original principal amount) below:

\$ _____.

Date: _____

Your signature: _____
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:

Signature must be guaranteed by participant in a recognized
Signature Guarantee Medallion Program (or other signature
guarantor program reasonably acceptable to the Trustee)

**SCHEDULE OF INCREASES OR DECREASES
IN THE GLOBAL NOTE***

The following increases or decreases in this Global Note have been made:

Date of Increase or Decrease	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Custodian
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* *This should be included only if the Note is issued in global form.*

[Form of Notation on Note Relating to Guarantee]

GUARANTEE

The undersigned (the “Guarantors”, which term includes any successor persons under the Indenture (the “Indenture”) referred to in the Note upon which this notation is endorsed) (the “Endorsed Note”), has unconditionally guaranteed, jointly and severally (i) the due and punctual payment of the principal of, premium, if any, and interest on the Endorsed Note and all other Notes of the same series as the Endorsed Note (the “Guaranteed Notes”), whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal of, premium, if any, and interest, if any, on the Guaranteed Notes, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders of Guaranteed Notes or the Trustee all in accordance with the terms set forth in Article Thirteen of the Indenture and (ii) in case of any extension of time of payment or renewal of any Guaranteed Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The obligations of the Guarantors to the Holders of Guaranteed Notes and to the Trustee pursuant to the Guarantee evidenced hereby and the Indenture are expressly set forth in Article 13 of the Indenture and reference is hereby made to such Indenture for the terms of this Guarantee.

No stockholder, officer, director, employee, partner or incorporator, as such, past, present or future, of the Guarantors shall have any personal liability under the Guarantee evidenced hereby by reason of such person’s status as such stockholder, officer, director, employee, partner or incorporator. Each Holder of a Guaranteed Note by accepting a Guaranteed Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of this Guarantee.

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

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

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

- HOVNANIAN ENTERPRISES, INC.
 - AUDDIE ENTERPRISES, L.L.C.
 - BUILDER SERVICES NJ, L.L.C.
 - BUILDER SERVICES NY, L.L.C.
 - BUILDER SERVICES PA, L.L.C.
 - DULLES COPPERMINE, L.L.C.
 - EASTERN NATIONAL TITLE AGENCY, LLC
 - EASTERN TITLE AGENCY, INC.
 - F&W MECHANICAL SERVICES, L.L.C.
-

FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF CALIFORNIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF GEORGIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF TEXAS LLC
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV INTERNATIONAL, INC.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT 4S, LLC
K. HOVNIANIAN AT ACQUA VISTA, LLC
K. HOVNIANIAN AT ALISO, LLC
K. HOVNIANIAN AT ALLENTOWN, L.L.C.
K. HOVNIANIAN AT ALMOND ESTATES, LLC
K. HOVNIANIAN AT ANDALUSIA, LLC
K. HOVNIANIAN AT ARBOR HEIGHTS, LLC
K. HOVNIANIAN AT AVENUE ONE, L.L.C.
K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CARMEL VILLAGE, LLC
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.

K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CRESTLINE, INC.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT DENVER, L.L.C.
K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT DOVER, L.L.C.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNIANIAN AT ELK TOWNSHIP, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, L.L.C.
K. HOVNIANIAN AT EWING, L.L.C.
K. HOVNIANIAN AT FAIR OAKS, L.L.C.
K. HOVNIANIAN AT FIDDYMENT RANCH, LLC
K. HOVNIANIAN AT FIFTH AVENUE, 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 FRANKLIN II, L.L.C.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT FRESNO, LLC
K. HOVNIANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNIANIAN AT GILROY, LLC
K. HOVNIANIAN AT GREAT NOTCH, L.L.C.
K. HOVNIANIAN AT GRIDLEY, LLC
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 HAZLET, L.L.C.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HUDSON POINTE, L.L.C.
K. HOVNIANIAN AT JACKSON I, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JAEGER RANCH, LLC
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNIANIAN AT KEYPORT, L.L.C.

K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNIANIAN AT LA COSTA, LLC
K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LA PAZ, LLC
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LANDMARK, LLC
K. HOVNIANIAN AT LARKSPUR, LLC
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 III, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LIVE OAK II, LLC
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 LOWER MORELAND III, L.L.C.
K. HOVNIANIAN AT MACUNGIE, L.L.C.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MALAN PARK, L.L.C.
K. HOVNIANIAN AT MANALAPAN III, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, L.L.C.
K. HOVNIANIAN AT MANSFIELD II, L.L.C.
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MANTECA, LLC
K. HOVNIANIAN AT MAPLE AVENUE, 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 MATSU, L.L.C.
K. HOVNIANIAN AT MELANIE MEADOWS, LLC
K. HOVNIANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MENIFEE, LLC
K. HOVNIANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNIANIAN AT MILLVILLE I, L.L.C.
K. HOVNIANIAN AT MILLVILLE II, L.L.C.
K. HOVNIANIAN AT MONROE II, INC.
K. HOVNIANIAN AT MONROE IV, L.L.C.
K. HOVNIANIAN AT MONROE NJ, L.L.C.

K. HOVNIANIAN AT MONTVALE, LLC
K. HOVNIANIAN AT MONTVALE II, L.L.C.
K. HOVNIANIAN AT MOSAIC, LLC
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT MUIRFIELD, LLC
K. HOVNIANIAN AT NEW BRUNSWICK URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN, L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, 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 NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT OCEANPORT, L.L.C.
K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PACIFIC BLUFFS, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PHILADELPHIA II, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA III, L.L.C.
K. HOVNIANIAN AT PHILADELPHIA IV, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNIANIAN AT PITTSBORO, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.
K. HOVNIANIAN AT RANCHO 79, LLC
K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT READINGTON II, L.L.C.
K. HOVNIANIAN AT RED BANK, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIDGESTONE, L.L.C.

K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RIVERCREST, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SANTA FE SPRINGS, LLC
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAVANNAH LAKE, L.L.C.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SIERRA ESTATES, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE III, L.L.C.
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT SPARTA, L.L.C.
K. HOVNIANIAN AT SPRINGCO, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SUNSETS, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TEANECK, L.L.C.
K. HOVNIANIAN AT THE CLIFFS, LLC
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TRENTON, L.L.C.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT UNION 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 MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.

K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WARMINSTER, LLC
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST BRADFORD, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS CIP, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF VIRGINIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONNECTICUT ACQUISITIONS, L.L.C.
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CONNECTICUT, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF INDIANA, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, 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 NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES — DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT PAYNE STREET, L.L.C.
K. HOVNIANIAN HOMES AT PRIMERA, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF INDIANA, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNIANIAN OF HOUSTON II, L.L.C.
K. HOVNIANIAN OHIO REALTY, L.L.C.
K. HOVNIANIAN OSTER HOMES, L.L.C.

K. HOVNIANIAN PA REAL ESTATE, INC.
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN STANDING ENTITY, L.L.C.
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF 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 T&C HOMES AT FLORIDA, L.L.C.
K. HOVNIANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNIANIAN T&C INVESTMENT, L.L.C.
K. HOVNIANIAN T&C MANAGEMENT CO., L.L.C.
K. HOVNIANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNIANIAN VENTURE I, L.L.C.
K. HOVNIANIAN WINDWARD HOMES, LLC
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAILEY'S GLENN, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT DULLES DISCOVERY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT HUNTFIELD, 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 LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, LLC
K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF MICHIGAN, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NATOMAS CENTRAL NEIGHBORHOOD HOUSING, L.L.C.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
REAL PROPERTY HOLDING — PRINCE GEORGE'S COUNTY, MD, LLC
RIDGEMORE UTILITY ASSOCIATES OF PENNSYLVANIA, L.L.C.
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
THE RESIDENCE AT DULLES PARKWAY CORPORATE CENTER, LLC
THE RESIDENCE AT GREENFIELD CROSSING, L.L.C.
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, LLC
WESTMINSTER HOMES OF TENNESSEE, INC.
WESTMINSTER HOMES, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WH/PR LAND COMPANY, L.L.C.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

[Signature page follows]

By:
Title:

[Signature Page to Guarantee]

SUPPLEMENTAL INDENTURE

dated as of _____, _____

among

K. HOVNIANIAN ENTERPRISES, INC.

HOVNIANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST COMPANY,
as Trustee

11%% Senior Notes due 2015

B-1

THIS [] SUPPLEMENTAL INDENTURE (this “[] **Supplemental Indenture**”), entered into as of , among K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc. (“**Hovnanian**”), [each of the guarantors listed on Schedule I hereto] (each an “**Undersigned**”) and Wilmington Trust Company, a Delaware banking corporation, as trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Issuer, Hovnanian, the other Guarantors party thereto and the Trustee entered into the Indenture dated as of February 14, 2011 (as supplemented, the “**Indenture**”) as supplemented by a Supplemental Indenture thereto, dated as of February 14, 2011 (the “**First Supplemental Indenture**”), relating to the Issuer’s 11% Senior Notes due 2015 (the “**Notes**”);

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

AGREEMENT

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

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

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to Article Thirteen of the Base Indenture and Article 5 of the First Supplemental Indenture. Each Undersigned will also execute a Guarantee Notation in respect of the Notes.

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

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

SECTION 5. This [] Supplemental Indenture is an amendment supplemental to the Indenture (as amended and supplemented to the date hereof), and the Indenture and this [] Supplemental Indenture will henceforth be read together.

SECTION 6. The recitals herein contained are made solely by the Issuer, Hovnanian and the undersigned and not by the Trustee, and the Trustee assumes no responsibility for the validity or accuracy thereof.

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

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC., as
Guarantor

By: _____
Name:
Title:

On behalf of each entity named in
Schedule 1 hereto, as Guarantors

By: _____
Name:
Title:

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Name:
Title:

[Simpson Thacher & Bartlett Letterhead]

February 14, 2011

Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701

Ladies and Gentlemen:

We have acted as counsel to Hovnanian Enterprises, Inc., a Delaware corporation (“Hovnanian”), and to K. Hovnanian Enterprises, Inc., a California corporation and a wholly-owned subsidiary of Hovnanian (“K. Hovnanian”), and to certain other subsidiaries of Hovnanian (the “Subsidiary Registrants”) in connection with the Registration Statement on Form S-3 (File No. 333-171349) (the “Registration Statement”) filed by Hovnanian, K. Hovnanian and the Subsidiary Registrants with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”), and the issuance thereunder (i) by Hovnanian of 13,512,500 shares (the “Shares”) of Class A Common Stock, par value \$.01 per share (the “Common Stock”), including 1,762,500 Shares issued by Hovnanian pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement dated as of February 3, 2011, among Hovnanian and the underwriters named therein (the “Common Stock Underwriting Agreement), (ii) by K. Hovnanian of \$155,000,000 aggregate principal amount of 117/8% Senior Notes due 2015 (the “Senior Notes”), unconditionally guaranteed (each a “Senior Note Guarantee,” and collectively, the “Senior Note Guarantees”) on a senior basis by Hovnanian and the Subsidiary Registrants (together, in such capacity, the

“Senior Notes Guarantors”), pursuant to the Underwriting Agreement dated February 3, 2011, among K. Hovnanian, the Senior Notes Guarantors and the underwriters named therein (the “Senior Notes Underwriting Agreement”), and (iii) by Hovnanian and K. Hovnanian of 3,450,000 7.25% Tangible Equity Units (the “Units”), including 450,000 Units issued by Hovnanian and K. Hovnanian pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement dated as of February 3, 2011, among K. Hovnanian, the Amortizing Notes Guarantors (as defined below) and the underwriters named therein (the “Units Underwriting Agreement”). Each Unit initially consists of (i) a prepaid stock purchase contract (each a “Purchase Contract,” and collectively, the “Purchase Contracts”) issued by Hovnanian which shall be settled by Hovnanian against delivery of a number shares of Common Stock to be determined pursuant to the Purchase Contract Agreement (as defined below) and (ii) a senior subordinated amortizing note (each an “Amortizing Note,” and collectively, the “Amortizing Notes”) issued by K. Hovnanian and unconditionally guaranteed (each an “Amortizing Note Guarantee,” and collectively, the “Amortizing Note Guarantees”) on a senior subordinated basis by Hovnanian and the Subsidiary Registrants (together, in such capacity, the “Amortizing Notes Guarantors”), which has an initial principal amount of \$4.526049 per Amortizing Note, bears interest at a rate of 12.072% per annum and has a final installment payment date of February 15, 2014.

We have examined the Registration Statement as it became effective under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus dated January 28, 2011 (the “Base Prospectus”), as supplemented by the prospectus supplement relating to the offering of the Shares, dated February 3, 2011 (together with the Base Prospectus, the “Common Stock Prospectus”), filed by Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus supplement

relating to the offering of the Senior Notes, dated February 3, 2011 (together with the Base Prospectus, the “Senior Notes Prospectus”), filed by Hovnanian and K. Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus supplement relating to the offering of the Units, dated February 3, 2011 (together with the Base Prospectus, the “Units Prospectus” and, together with the Common Stock Prospectus and the Senior Notes Prospectus, the “Prospectuses”), filed by Hovnanian and K. Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; the Indenture dated as of February 14, 2011 (the “Senior Notes Base Indenture”), among K. Hovnanian, Hovnanian, as Guarantor, and Wilmington Trust Company, as trustee (the “Senior Notes Trustee”), as supplemented by the First Supplemental Indenture dated as of February 14, 2011, among K. Hovnanian, the Senior Notes Guarantors and the Senior Notes Trustee (the “Senior Notes Supplemental Indenture” and, together with the Senior Notes Base Indenture, the “Senior Notes Indenture”); a duplicate of the global note representing the Senior Notes; a duplicate of the Senior Notes Guarantees annexed to the Senior Notes; the Purchase Contract Agreement, dated as of February 9, 2011 (the “Purchase Contract Agreement”), by and among Hovnanian, K. Hovnanian, Wilmington Trust Company, as purchase contract agent (the “Purchase Contract Agent”), Wilmington Trust Company, as Amortizing Notes Trustee (as defined below), and Wilmington Trust Company, as attorney-in-fact for the holders of the Purchase Contracts from time to time; duplicates of the global certificates representing the Units; duplicates of the registered certificates representing the Purchase Contracts initially annexed to the Units; the Indenture, dated as of February 9, 2011 (the “Amortizing Notes Base Indenture”), by and among K. Hovnanian, Hovnanian, as guarantor, and Wilmington Trust Company, as trustee (the “Amortizing Notes Trustee”), as supplemented by the First Supplemental Indenture, dated as of February 9, 2011 (the

“Amortizing Notes Supplemental Indenture” and, together with the Amortizing Notes Base Indenture, the “Amortizing Notes Indenture”), by and among K. Hovnanian, the Amortizing Notes Guarantors, and the Amortizing Notes Trustee; duplicates of the registered certificates representing the Amortizing Notes and the Amortizing Notes Guarantees initially annexed thereto annexed to the Units; a copy of a specimen certificate representing the Common Stock; the Common Stock Underwriting Agreement; the Senior Notes Underwriting Agreement; and the Units Underwriting Agreement. We also have examined the originals, or duplicates or certified or conformed copies, of such corporate and other 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 or statements of public officials and of officers and representatives of Hovnanian and K. Hovnanian.

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.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. The Shares issued and sold by Hovnanian pursuant to the Common Stock Underwriting Agreement have been duly authorized by Hovnanian and are validly issued, fully paid and nonassessable.
2. Assuming the Senior Notes have been duly authorized, executed and issued by K. Hovnanian and, assuming due authentication thereof by the Senior Notes Trustee, the Senior Notes constitute valid and legally binding obligations of K. Hovnanian enforceable against K. Hovnanian in accordance with their terms.
3. Assuming the Senior Notes Guarantees have been duly authorized, executed and issued by the Senior Notes Guarantors (other than Hovnanian), and assuming due authentication of the Senior Notes by the Senior Notes Trustee, the Senior Notes

Guarantees constitute valid and legally binding obligations of the Senior Notes Guarantors enforceable against the Senior Notes Guarantors in accordance with their terms.

4. Assuming that the Units have been duly authorized, executed and issued by K. Hovnanian, and assuming further (a) the due authentication thereof by the Purchase Contract Agent and the Amortizing Notes Trustee and (b) the due execution of the Purchase Contract Agreement by the Purchase Contract Agent, the Amortizing Notes Trustee and Wilmington Trust Company, as attorney-in-fact for the holders of the Purchase Contracts from time to time, the Units constitute valid and legally binding obligations of Hovnanian and K. Hovnanian, enforceable against Hovnanian and K. Hovnanian in accordance with their terms.
5. Assuming that the Amortizing Notes have been duly authorized, executed and issued by K. Hovnanian, and assuming due authentication thereof by the Amortizing Notes Trustee, the Amortizing Notes constitute valid and legally binding obligations of K. Hovnanian enforceable against K. Hovnanian in accordance with their terms.
6. Assuming the Amortizing Notes Guarantees have been duly authorized, executed and issued by the Amortizing Notes Guarantors (other than Hovnanian), and assuming due authentication of the Amortizing Notes by the Amortizing Notes Trustee, the Amortizing Notes Guarantees constitute valid and legally binding obligations of the Amortizing Notes Guarantors enforceable against the Amortizing Notes Guarantors in accordance with their terms.
7. Assuming (a) the due authentication of the Purchase Contracts by the Purchase Contract Agent and the due execution thereof by Wilmington Trust Company, as attorney-in-fact for the holders of the Purchase Contracts from time to time, and (b) the due execution of the Purchase Contract Agreement by the Purchase Contract Agent, the Amortizing Notes Trustee and Wilmington Trust Company, as attorney-in-fact for the holders of the Purchase Contracts from time to time, the Purchase Contracts constitute valid and legally binding obligations of Hovnanian, enforceable against Hovnanian in accordance with their terms and entitled to the benefits of the Purchase Contract Agreement.

Our opinions set forth in paragraphs 2, 3, 4, 5, 6 and 7 above are subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

For purposes of our opinions set forth in paragraph 4 and 7 above, we assume that the increase in the Settlement Rate (as defined in the Purchase Contract Agreement) upon the occurrence of a Fundamental Change (as defined in the Purchase Contract Agreement) pursuant to the provisions of the Purchase Contract Agreement and any related provisions of the Units or Purchase Contracts represents reasonable compensation of the lost option value of the Units as a result of the Fundamental Change.

We do not express any opinion herein concerning any law other than the law of the State of New York, the federal Law of the United States and the Delaware General Corporation Law (including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting the foregoing).

We hereby consent to the filing of this opinion letter as Exhibit 5.3 to the Current Report on Form 8-K of Hovnanian filed with the Commission in connection with the offer and sale of the Shares, the Senior Notes and the Units and to the use of our name under the caption "Legal Matters" in the Prospectuses.

Very truly yours,

/s/ Simpson Thacher & Bartlett LLP

SIMPSON THACHER & BARTLETT LLP

[Hovnanian Enterprises, Inc. Letterhead]

February 14, 2011

Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701

Ladies and Gentlemen:

I am Senior Vice President and General Counsel of Hovnanian Enterprises, Inc., a Delaware corporation (“Hovnanian”), and of K. Hovnanian Enterprises, Inc., a California corporation and a wholly-owned subsidiary of Hovnanian (“K. Hovnanian”). Hovnanian, K. Hovnanian and certain other subsidiaries of Hovnanian (the “Subsidiary Registrants”) have filed a Registration Statement on Form S-3 (File No. 333-171349) (the “Registration Statement”) with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to which (i) Hovnanian has issued 13,512,500 shares (the “Shares”) of Class A Common Stock, par value \$.01 per share (the “Common Stock”), including 1,762,500 Shares issued by Hovnanian pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement dated as of February 3, 2011, among Hovnanian and the underwriters named therein (the “Common Stock Underwriting Agreement”), (ii) K. Hovnanian has issued \$155,000,000 aggregate principal amount of 11⁷/₈% Senior Notes due 2015 (the “Senior Notes”), unconditionally guaranteed (each a “Senior Note Guarantee,” and collectively, the “Senior Note Guarantees”) on a senior basis by Hovnanian and the Subsidiary Registrants (together, in such capacity, the “Senior Notes Guarantors”), pursuant to the

Underwriting Agreement dated February 3, 2011, among K. Hovnanian, the Senior Notes Guarantors and the underwriters named therein (the “Senior Notes Underwriting Agreement”), and (iii) Hovnanian and K. Hovnanian have issued 3,450,000 7.25% Tangible Equity Units (the “Units”), including 450,000 Units issued by Hovnanian and K. Hovnanian pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement dated as of February 3, 2011, among K. Hovnanian, the Amortizing Notes Guarantors (as defined below) and the underwriters named therein (the “Units Underwriting Agreement”). Each Unit initially consists of (i) a prepaid stock purchase contract (each a “Purchase Contract,” and collectively, the “Purchase Contracts”) issued by Hovnanian which shall be settled by Hovnanian against delivery of a number shares of Common Stock to be determined pursuant to the Purchase Contract Agreement (as defined below) and (ii) a senior subordinated amortizing note (each an “Amortizing Note,” and collectively, the “Amortizing Notes”) issued by K. Hovnanian and unconditionally guaranteed (each an “Amortizing Note Guarantee,” and collectively, the “Amortizing Note Guarantees”) on a senior subordinated basis by Hovnanian and the Subsidiary Registrants (together, in such capacity, the “Amortizing Notes Guarantors”), which has an initial principal amount of \$4.526049 per Amortizing Note, bears interest at a rate of 12.072% per annum and has a final installment payment date of February 15, 2014.

I have examined the Registration Statement as it became effective under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus dated January 28, 2011 (the “Base Prospectus”), as supplemented by the prospectus supplement relating to the offering of the Shares, dated February 3, 2011 (together with the Base Prospectus, the “Common Stock Prospectus”), filed by Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus supplement relating to the offering of the Senior Notes, dated February 3, 2011 (together with the Base

Prospectus, the “Senior Notes Prospectus”), filed by Hovnanian and K. Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; Hovnanian’s and K. Hovnanian’s prospectus supplement relating to the offering of the Units, dated February 3, 2011 (together with the Base Prospectus, the “Units Prospectus” and, together with the Common Stock Prospectus and the Senior Notes Prospectus, the “Prospectuses”), filed by Hovnanian and K. Hovnanian pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; the Indenture dated as of February 14, 2011 (the “Senior Notes Base Indenture”), among K. Hovnanian, Hovnanian, as Guarantor, and Wilmington Trust Company, as trustee (the “Senior Notes Trustee”), as supplemented by the First Supplemental Indenture dated as of February 14, 2011, among K. Hovnanian, the Senior Notes Guarantors and the Senior Notes Trustee (the “Senior Notes Supplemental Indenture” and, together with the Senior Notes Base Indenture, the “Senior Notes Indenture”); a duplicate of the global note representing the Senior Notes; a duplicate of the Senior Notes Guarantees annexed to the Senior Notes; the Purchase Contract Agreement, dated as of February 9, 2011 (the “Purchase Contract Agreement”), by and among Hovnanian, K. Hovnanian, Wilmington Trust Company, as purchase contract agent (the “Purchase Contract Agent”), Wilmington Trust Company, as Amortizing Notes Trustee (as defined below), and Wilmington Trust Company, as attorney-in-fact for the holders of the Purchase Contracts from time to time; duplicates of the global certificates representing the Units; duplicates of the registered certificates representing the Purchase Contracts initially annexed to the Units; the Indenture, dated as of February 9, 2011 (the “Amortizing Notes Base Indenture”), by and among K. Hovnanian, Hovnanian, as guarantor, and Wilmington Trust Company, as trustee (the “Amortizing Notes Trustee”), as supplemented by the First Supplemental Indenture, dated as of February 9, 2011 (the “Amortizing Notes Supplemental Indenture” and, together with the Amortizing Notes Base

Indenture, the “Amortizing Notes Indenture”), by and among K. Hovnanian, the Amortizing Notes Guarantors, and the Amortizing Notes Trustee; duplicates of the registered certificates representing the Amortizing Notes and the Amortizing Notes Guarantees initially annexed thereto annexed to the Units; a copy of a specimen certificate representing the Common Stock; the Common Stock Underwriting Agreement; the Senior Notes Underwriting Agreement; and the Units Underwriting Agreement. I also have examined the originals, or duplicates or certified or conformed copies, of such corporate and other records, agreements, documents and other instruments and have made such other investigations as I have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, I have relied upon certificates or comparable documents or statements of public officials and of officers and representatives of Hovnanian and K. Hovnanian.

In rendering the opinions set forth below, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, I am of the opinion that:

1. The Senior Notes have been duly authorized, executed and issued by K. Hovnanian.
2. The Senior Notes Guarantees have been duly authorized, executed and issued by the Senior Notes Guarantors (other than Hovnanian).
3. The Units have been duly authorized, executed and issued by K. Hovnanian.

4. The Amortizing Notes have been duly authorized, executed and issued by K. Hovnanian.
5. The Amortizing Notes Guarantees have been duly authorized, executed and issued by the Amortizing Notes Guarantors (other than Hovnanian).

I am a member of the Bar of the State of New Jersey, and I do not express any opinion herein concerning any law other than the law of the State of New Jersey and the State of California.

I hereby consent to the filing of this opinion letter as Exhibit 5.4 to the Current Report on Form 8-K of Hovnanian filed with the Commission in connection with the offer and sale of the Shares, the Senior Notes and the Units and to the use of my name under the caption "Legal Matters" in the Prospectuses.

Very truly yours,

/s/ Peter S. Reinhart

Peter S. Reinhart

Senior Vice President and General Counsel

Information Relating to Part II, Item 14 — Other Expenses of Issuance and Distribution

The expenses in connection with the issuance and distribution by (i) Hovnanian Enterprises, Inc. (“Hovnanian”) of 13,512,500 shares (the “Shares”) of Class A Common Stock, par value \$.01 per share, including 1,762,500 Shares issued by Hovnanian pursuant to the over-allotment option granted to the underwriters, (ii) K. Hovnanian Enterprises, Inc., a wholly-owned subsidiary of Hovnanian (“K. Hovnanian”), of \$155,000,000 aggregate principal amount of 11⁷/₈% Senior Notes due 2015 (the “Senior Notes”), and (iii) Hovnanian and K. Hovnanian of 3,450,000 7.25% Tangible Equity Units (the “Units”), including 450,000 Units issued by Hovnanian and K. Hovnanian pursuant to the over-allotment option granted to the underwriters, in each case registered pursuant to Hovnanian’s and K. Hovnanian’s Registration Statement on Form S-3 (File No. 333-171349) initially filed on December 22, 2010, other than underwriting discounts and commissions, are set forth in the following table. All amounts are estimated except the Securities and Exchange Commission registration fee. All of such expenses are being borne by Hovnanian.

	<u>Total</u>
Securities and Exchange Commission Registration Fee(1)	\$ 35,650
Trustee’s and Transfer Agent’s Fees and Expenses	20,500
Legal fees and expenses	1,200,000
Accounting fees and expenses	225,000
Printing and duplicating expenses	167,500
Miscellaneous expenses (2)	171,350
Total	<u>\$ 1,820,000</u>

(1) Registration fee payable in connection with the registration of an indeterminate amount of securities with an aggregate initial offering price not to exceed \$500,000,000 or the equivalent thereof in one or more foreign currencies pursuant to the Registration Statement.

(2) Includes, among other expenses, rating agency fees of \$150,000 and listing fees of \$20,000 payable in connection with the listing of the Units on the New York Stock Exchange.