

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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HOVNANIAN ENTERPRISES INC

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**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): November 1, 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**

(Address of Principal Executive Offices)

07701

(Zip Code)

(732) 747-7800

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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

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

Item 1.01. Entry into a Material Definitive Agreement.

On November 1, 2011, K. Hovnanian Enterprises, Inc. (“K. Hovnanian”), a wholly owned subsidiary of Hovnanian Enterprises, Inc. (“Hovnanian”), entered into an Indenture among K. Hovnanian, Hovnanian, the other guarantors named therein and Wilmington Trust, National Association, as trustee and collateral agent (the “New Secured Notes Indenture”), under which K. Hovnanian issued \$141,797,000 aggregate principal amount of 5.00% Senior Secured Notes due 2021 (the “5.00% New Secured Notes”) and \$53,203,000 aggregate principal amount of 2.00% Senior Secured Notes due 2021 (the “2.00% New Secured Notes,” and together with the 5.00% New Secured Notes, the “New Secured Notes”) which are guaranteed by Hovnanian and substantially all of its existing and future restricted subsidiaries, in exchange for senior notes (collectively, the “Senior Notes”) of K. Hovnanian tendered by holders thereof in connection with its previously disclosed private exchange offers and consent solicitation (the “Exchange Offers”). The Senior Notes exchanged in the Exchange Offers consisted of \$16,724,000 in aggregate principal amount of 6½% Senior Notes due 2014, \$26,199,000 in aggregate principal amount of 6% Senior Notes due 2014, \$67,592,000 in aggregate principal amount of 11% Senior Notes due 2015 (the “11% 2015 Notes”), \$31,282,000 in aggregate principal amount of 6¼% Senior Notes due 2015, \$13,328,000 in aggregate principal amount of 6¼% Senior Notes due 2016, \$20,721,000 in aggregate principal amount of 7½% Senior Notes due 2016 and \$19,154,000 in aggregate principal amount of 8% Senior Notes due 2017.

Each of Hovnanian’s subsidiaries is a guarantor of the New Secured Notes, except for its home mortgage subsidiaries, certain of its joint ventures, joint venture holding companies (other than members of the Secured Group (as defined below)), and certain of its title insurance subsidiaries. The guarantees of K. Hovnanian JV Holdings, L.L.C. and its subsidiaries other than certain joint ventures and joint venture holding companies (collectively, the “Secured Group”), will be secured, subject to permitted liens and other exceptions, by a first-priority lien on substantially all of the assets of the members of the Secured Group. Members of the Secured Group are “unrestricted subsidiaries” under the Senior Notes and K. Hovnanian’s other senior and senior secured notes, and thus have not guaranteed such indebtedness.

The 5.00% New Secured Notes and 2.00% New Secured Notes were issued as separate series under the New Secured Notes Indenture, but have substantially the same terms other than with respect to interest rate and related redemption provisions, and vote together as a single class. The New Secured Notes bear interest at 2.00% per annum, in the case of the 2.00% New Secured Notes, and 5.00% per annum, in the case of the 5.00% New Secured Notes, and mature on November 1, 2021. Interest on the New Secured Notes is payable semi-annually on May 1 and November 1 of each year, beginning on May 1, 2012, to holders of record at the close of business on April 15 or October 15, as the case may be, immediately preceding each such interest payment date.

The New Secured 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, make 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 New Secured Notes Indenture also contains customary events of default which would permit the holders of the New Secured Notes to declare those New Secured Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the New Secured Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the New Secured Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the New Secured Notes to be valid and perfected and specified events of bankruptcy and insolvency.

In addition, on November 1, 2011, K. Hovnanian entered into a Second Supplemental Indenture (the “11% Notes Supplemental Indenture”), among K. Hovnanian, Hovnanian, as guarantor, the other guarantors party thereto and Wilmington Trust Company, as trustee, amending and supplementing that certain Indenture dated February 14, 2011 (the “Base Indenture”) by and among K. Hovnanian, Hovnanian, as guarantor, and Wilmington Trust Company, as trustee, as amended by the First Supplemental Indenture dated as of February 14, 2011 (the “First Supplemental Indenture”), by and among K. Hovnanian, Hovnanian, as guarantor, the other guarantors party

thereto and Wilmington Trust Company, as trustee (the Base Indenture as amended by the First Supplemental Indenture, the “Existing Indenture”). The 11% Notes Supplemental Indenture was executed and delivered following the receipt by K. Hovnanian of consents from a majority of the holders of K. Hovnanian’s 11% 2015 Notes. The 11% Notes Supplemental Indenture provides for the elimination of substantially all of the restrictive covenants and certain of the default provisions contained in the Existing Indenture and the 11% 2015 Notes.

This summary of the New Secured Notes Indenture and the 11% Notes Supplemental Indenture does not purport to be complete and is subject to, and is qualified in its entirety by, reference to all the provisions of the New Secured Notes Indenture and the 11% Notes Supplemental Indenture, copies of which have been filed as Exhibit 4.1 and Exhibit 4.2, respectively, and are incorporated herein by reference.

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 of this Current Report on Form 8-K with respect to the New Secured Notes Indenture is incorporated by reference into this Item 2.03.

Item 3.03. Material Modification to Rights of Security Holders.

The information required by Item 3.03 relating to the rights of the holders of the 11% 2015 Notes is set forth above under Item 1.01 of this current report on Form 8-K and is incorporated herein by reference.

Item 8.01. Other Events.

On October 31, 2011, Hovnanian issued a press release relating to the Exchange Offers. In the press release, Hovnanian announced the results of the Exchange Offers and the receipt of the requisite consent in connection with K. Hovnanian’s consent solicitation for the 11% 2015 Notes.

The Exchange Offers were made within the United States only to “qualified institutional buyers” pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. investors pursuant to Regulation S. The New Secured Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The information contained in this report does not constitute an offer to sell or the solicitation of an offer to buy Senior Notes or New Secured Notes subject to the Exchange Offers in any jurisdiction in which such an offer or sale would be unlawful.

A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

On November 3, 2011, Hovnanian received a letter from The Nasdaq Stock Market (“Nasdaq”) stating that for the last 30 consecutive business days, the market value of publicly held depository shares (the “Depository Shares”) representing shares of Hovnanian’s 7.625% Series A Preferred Stock was below the minimum \$15,000,000 requirement for continued listing of the Depository Shares on The Nasdaq Global Market under Listing Rule 5450(b)(2)(C) (the “Rule”). This notification has no immediate effect on the listing of the Depository Shares. In accordance with Listing Rule 5810(c)(3)(D), Hovnanian has 180 calendar days, or until May 1, 2012, to regain compliance with the Rule. Hovnanian will regain compliance if, at any time before May 1, 2012, the market value of publicly held Depository Shares is \$15,000,000 or more for a minimum of ten consecutive business days. If Hovnanian does not regain compliance with the Rule by May 1, 2012, Nasdaq will provide Hovnanian with written notification that the Depository Shares are subject to delisting from The Nasdaq Global Market. At that time, Hovnanian may appeal the delisting determination to a Nasdaq Listings Qualifications Panel. Alternatively, Nasdaq may permit Hovnanian to transfer its listing of the Depository Shares to The Nasdaq Capital Market if the Depository Shares satisfy the requirements for continued listing on that market.

Hovnanian will continue to monitor the market value of the Depository Shares and consider various options available to it if the Depository Shares do not trade at a level that is likely to regain compliance.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit Number	Description
4.1	New Secured Notes Indenture dated as of November 1, 2011 relating to the New Secured Notes, among K. Hovnanian, Hovnanian, the other guarantors named therein and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of the New Secured Notes.
4.2	11 ⁷ / ₈ % Notes Supplemental Indenture dated as of November 1, 2011, relating to the 11 ⁷ / ₈ % 2015 Notes, among K. Hovnanian, Hovnanian, as guarantor, the other guarantors named therein and Wilmington Trust Company, as Trustee.
10.1	First Lien Pledge Agreement, dated as of November 1, 2011, among the Secured Group members, as Pledgors, and Wilmington Trust, National Association, as Collateral Agent.
10.2	First Lien Security Agreement, dated as of November 1, 2011, among Secured Group members, as Grantors, and Wilmington Trust, National Association, as Collateral Agent.
99.1	Hovnanian Press Release, dated as of October 31, 2011.

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/ Michael Discafani
Name: Michael Discafani
Title: Vice President and Corporate Counsel

Date: November 7, 2011

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<u>Exhibit Number</u>	<u>Description</u>
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10.2	First Lien Security Agreement, dated as of November 1, 2011, among Secured Group members, as Grantors, and Wilmington Trust, National Association, as Collateral Agent.
99.1	Hovnanian Press Release, dated as of October 31, 2011.

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

HOVNIANIAN ENTERPRISES, INC.

and

the other Guarantors party hereto

and

**WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent**

Indenture

Dated as of November 1, 2011

2.00% Senior Secured Notes Due 2021

5.00% Senior Secured Notes Due 2021

CROSS-REFERENCE TABLE

TIA Sections	Indenture Sections
310(a)	7.10
(b)	7.03, 7.08(a)(iii), 7.08(e)
(c)	Inapplicable
311	7.03
312(a)	13.02
313(a)	7.06
(c)	5.10(b), 7.06
314(a)	4.15(d), 4.16(c)
(b)	6.10, 11.05(a), 13.01
(c)	Inapplicable
(d)	6.10, 11.05(a), 11.05(b), 13.01
(e)	Inapplicable
(f)	Inapplicable
315(a)	7.02
(b)	7.02
(c)	7.02
(d)	7.02
(e)	Inapplicable
316(a)	Inapplicable
(b)	Inapplicable
(c)	13.02
317(a)(1)	Inapplicable
(a)(2)	Inapplicable
(b)	Inapplicable
318	Inapplicable

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EXHIBIT J	Unrestricted Subsidiaries

INDENTURE, dated as of November 1, 2011, among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the “**Company**”), each of the other Guarantors (as defined hereafter) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Trustee (the “**Trustee**”) and Collateral Agent (the “**Collateral Agent**”).

RECITALS

The Issuer has duly authorized the execution and delivery of the Indenture to provide for the issuance of the Issuer’s 2.00% Senior Secured Notes Due 2021 (the “**2.00% Notes**”) and the Issuer’s 5.00% Senior Secured Notes Due 2021 (the “**5.00% Notes**”) and together with the 2.00% Notes, each of which constitutes a separate series hereunder, the “**Notes**”). All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer as hereinafter provided. The Issuer now wishes to issue Initial Notes for original issue in the aggregate principal amount of \$53,203,000 for the 2.00% Notes and \$141,797,000 for the 5.00% Notes.

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

This Indenture is subject to, and shall be governed by, the provisions of the Trust Indenture Act that are required to be a part of, and govern indentures qualified under, the Trust Indenture Act, *provided* that in each case the provisions of TIA §314(b) and §314(d) shall only apply following qualification of this Indenture under the TIA.

THIS INDENTURE WITNESSETH

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

ARTICLE 1
Definitions and Incorporation by Reference

Section 1.01. *Definitions.*

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

“**Additional Interest**” means all additional interest then owing pursuant to the Registration Rights Agreement or, with respect to any Additional Notes, a registration rights agreement related thereto.

“**Additional Notes**” means any Notes of either series of the Issuer issued under this Indenture in addition to the Original Notes, including any Exchange Notes issued in exchange for such Additional Notes, having the same terms in all respects as the Original Notes of the same series, except for the issue date, the issue price and, in some cases, the initial interest payment date.

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

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

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

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

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

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

“**Asset Disposition**” means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a “**transaction**”) by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$5.0 million. The term “**Asset Disposition**” shall not include:

(a) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries (other than a transaction involving a disposition of Collateral or any Capital Stock of a Permitted Joint Venture or JV Holding Company from a member of the Secured Group to a Person that is not a member of the Secured Group),

(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 (other than a JV Holding Company),

(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following receipt thereof) that (i) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (ii) have a Fair Market Value not less than the Fair

Market Value of the assets exchanged or swapped (*provided* that (except as permitted by clause (c) under the definition of “Permitted Investment”) to the extent that the assets exchanged or swapped were Collateral, the assets (i) are received by a member of the Secured Group and (ii) are pledged as Collateral under the Security Documents substantially simultaneously with such exchange or swap, with the Lien on such assets received being of the same priority with respect to the Notes as the Lien on the assets disposed of),

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

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

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

(h) any Restricted Payment or Permitted Investment.

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

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

“**Automatic Exchange**” has the meaning ascribed to it in Section 2.12 hereof.

“**Automatic Exchange Notice**” has the meaning ascribed to it in Section 2.12 hereof.

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

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

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

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

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

“**Cash Equivalents**” means

- (a) U.S. dollars;
- (b) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;
- (c) certificates of deposit 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) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;
- (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) of this definition.

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

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

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

“**Change of Control**” means

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

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

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

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

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

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

“**Collateral**” means all property and assets of the members of the Secured Group (whether now owned or hereafter arising or acquired) other than Excluded Property, that secures First-Priority Lien Obligations under the Security Documents.

“**Collateral Agency Agreement**” has the meaning given to such term in the Security Agreement.

“**Collateral Agent**” means the party named as such in the preamble of this Indenture, as the collateral agent for the holders of the First-Priority Lien

Obligations under the Security Documents, and any successor acting in such capacity.

“**Collateralized Debt**” means (i) the aggregate principal amount of all Indebtedness and letters of credit secured by Liens on the Collateral, but excluding Indebtedness and letters of credit secured by Liens on the Collateral that rank junior to the Liens on the Collateral securing the Notes plus (ii) without duplication, the aggregate principal amount of Indebtedness that at such time would be permitted to be incurred under the Indenture and secured by Liens on the Collateral pursuant to clauses (1) and (2)(a) of the definition of “Permitted Secured Indebtedness.”

“**Collateral Ratio**” means the ratio, calculated as a percentage, of (i) the aggregate fair market value, (as determined in good faith by the chief financial officer of the Company), as of the date of determination, of the Collateral (excluding any Capital Stock of any Person that is not a member of the Secured Group but including the book value of any Permitted Joint Ventures or JV Holding Companies owned by members of the Secured Group) to (ii) the aggregate principal amount of Collateralized Debt as of the date of determination; *provided* that, to the extent that at the date of determination such Collateral includes any real property, the aggregate fair market value of such real property Collateral shall be determined based on an appraisal by an independent appraiser within the preceding 18 months, as adjusted by the chief financial officer in good faith to reflect changes since the date of such appraisal.

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

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

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

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

- (a) income taxes,
- (b) Consolidated Interest Expense,

(c) depreciation and amortization expenses and other non-cash charges to earnings, and
(d) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, *minus*
all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

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

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

(b) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the inclusion, notwithstanding clause (b) of the definition of “Consolidated Net Income,” of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; *provided, however*, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset

Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of “Consolidated Net Income,” other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

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

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

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

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

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

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

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

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the

Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company' s, the Issuer' s or such Restricted Subsidiary' s (as applicable) *pro rata* share of such Unrestricted Subsidiary' s or such other Person' s net income earned during such period,

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

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

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

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

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

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

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

“**Corporate Trust Office**” means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at Rodney Square North, 1100 North Market Street, Wilmington, DE 19801.

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

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

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

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

“**Dealer Managers**” means Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC.

“**Dealer Managers Agreement**” means the Dealer Managers Agreement dated September 28, 2011 by and among the Dealer Managers, the Issuer and the

Guarantors party thereto relating to the offer to exchange Initial Notes for certain of the Issuer' s then outstanding senior notes.

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

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

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

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

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

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

“**Equity Offering**” means any public or private sale, after the Issue Date, of Qualified Stock of the Company, other than (i) an Excluded Contribution, (ii) public offerings registered on Form S-4 or S-8 or any successor form thereto or (iii) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

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

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

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

“**Exchange Notes**” means new Notes issued pursuant to the Registration Rights Agreement having terms substantially identical in all material respects to those of the Initial Notes of the applicable series.

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

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

“**Excluded Contribution**” means cash or Cash Equivalents received by the Company as capital contributions to its equity (other than through the issuance of Disqualified Stock) or from the issuance or sale (other than to a Subsidiary) of Qualified Stock of the Company, in each case, after January 31, 2008 (*provided* that the amount of Excluded Contributions under the Indenture shall be reduced by the amount of, without duplication, (i) any restricted payments made with Excluded Contributions prior to the Issue Date pursuant to the Senior Secured Notes Indenture and (ii) any such cash or Cash Equivalents received by the Company prior to the Issue Date that were contributed to or invested in JV Holdings or any of its Subsidiaries) and to the extent designated as an Excluded Contribution pursuant to an Officers’ Certificate of the Company.

“**Excluded Fee Payments**” means cash or Cash Equivalents received as payment of management fees received by any member of the Secured Group on or after the Issue Date pursuant to management agreements existing on the Issue Date with respect to joint ventures.

“**Excluded Property**” means (a) any pledges of stock of a Guarantor to the extent that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, that would require) the filing with the Commission of separate financial statements of such Guarantor that are not otherwise required to be filed, but only to the extent necessary to not be subject to such requirement, (b) up to \$10.0 million of assets received in connection with Asset Dispositions and asset swaps or exchanges as permitted by clause (c) of the definition of “Permitted Investment,” (c) real property subject to a Lien securing Indebtedness

incurred for the purpose of financing the acquisition thereof, (d) real property located outside the United States, (e) Unentitled Land, (f) real property that is leased or held for the purpose of leasing to unaffiliated third parties, (g) equity interests in Unrestricted Subsidiaries, including JV Holding Companies and (h) assets, with respect to which any applicable law or contract prohibits the creation or perfection of security interests therein.

“**Existing Notes**” means the Issuer’s existing notes being repurchased pursuant to the terms of the Issuer’s exchange offers as described in the Offering Memorandum.

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

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

“**First-Priority Lien Obligations**” means all Indebtedness secured pursuant to clause (a) of the definition of “Permitted Collateral Liens”, and all Obligations in respect thereof.

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

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

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

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

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

contingent or otherwise, of such Person: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided*, that the term “**guarantee**” does not include endorsements for collection or deposit in the ordinary course of business. The term “**guarantee**” used as a verb has a corresponding meaning.

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

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

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

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

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

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

thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

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

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

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

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

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

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

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

“**Interest Expense**” of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with

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

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

“**Interest Payment Date**” means each May 1 and November 1 of each year, commencing May 1, 2012.

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

“**Investment Grade**” means, with respect to a debt rating of any series 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 any series of the Notes (for reasons outside the control of the Company or the Issuer) and the Company shall select any other Rating Agency, the equivalent of such ratings by such other Rating Agency.

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

“**Issue Date**” means November 1, 2011.

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

“**JV Holding Company**” means a Subsidiary of JV Holdings, the only material asset of which constitutes Capital Stock of one or more joint ventures owned on the Issue Date or Permitted Joint Ventures in existence on the Issue Date or acquired or formed after the Issue Date; *provided* that none of JV Holdings, K. Hovnanian JV Services Company, L.L.C., K. Hovnanian HovWest Holdings L.L.C., HovWest Land Acquisition LLC, Heritage Pines, LLC and K. Hovnanian at Cobblestone Square Condominiums, L.L.C. shall be deemed JV Holding Companies.

“**JV Holdings**” means K. Hovnanian JV Holdings, L.L.C.

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

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

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

“**Marketable Securities**” means (a) equity securities that are listed on the New York Stock Exchange, the NYSE 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 the Company 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 the Company, the Issuer or any of its Restricted Subsidiaries in connection with such Asset Disposition, and net of all payments made on any Indebtedness which is secured by or relates to such Property (other than Indebtedness secured by Liens on the Collateral) in accordance with the terms of any Lien or agreement upon or with respect to such Property or which such Indebtedness must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

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

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

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

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

“**Offering Memorandum**” means the Issuer’s Confidential Offering Memorandum and Consent Solicitation Statement dated September 28, 2011 (as amended and supplemented as of the Issue Date).

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

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

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

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

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

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

“**Permitted Collateral Liens**” means Liens on the Collateral

(a) securing (i) the Notes (other than Additional Notes) and Exchange Notes, the Guarantees thereof and other Obligations under the Indenture and the

Security Documents and in respect thereof and any obligations owing to the Trustee or the Collateral Agent under the Indenture or the Security Documents, (ii) any Refinancing Indebtedness in respect thereof and (iii) Permitted Secured Indebtedness, and Obligations in respect thereof;

(b) of a type described in clauses (a), (b), (c), (e), (f), (g), (h), (j), (k), (m), (n), (o), (p), (r), (u), (v), (w) or (x) of the definition of “Permitted Liens”;

(c) of a type described in clauses (d), (q) or (t) of the definition of “Permitted Liens”, *provided* that such Liens and the related obligations are for the benefit of the Secured Group; and

(d) any Liens securing Indebtedness permitted to be incurred under the Indenture, which Liens rank junior to the Liens on the Collateral securing the Indebtedness described in clause (a) of this definition pursuant to a customary intercreditor agreement.

“**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 \$1,500.0 million principal amount outstanding at any one time; *provided* that no member of the Secured Group incurs, or guarantees, such Indebtedness;

(b) Indebtedness under the Notes (and Exchange Notes and Guarantees thereof), 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) of this definition, which shall instead be incurred under such clauses;

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

(e) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary other than a member of the Secured Group and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary (other than intercompany debt obligations owed by a Restricted Subsidiary that is not a member of the Secured Group to any member of the Secured Group); *provided, however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

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

(g) Purchase Money Indebtedness and Capitalized Lease Obligations in an aggregate principal amount outstanding at any one time not to exceed \$25.0 million;

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

(i) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10.0 million aggregate principal amount outstanding at any one time;

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

(k) Indebtedness of the Company 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 the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such

Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary, other than any Investment by any member of the Secured Group in the Company, the Issuer or any Restricted Subsidiary that is not a member of the Secured Group;

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by this Indenture; *provided* that, to the extent the assets subject to an Asset Disposition or exchange or swap of assets constituted Collateral, any non-cash consideration received in such Asset Disposition or such exchange or swap of assets shall be (a) Replacement Assets owned by a member of the Secured Group and (b) pledged as Collateral under the Security Documents, with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of; *provided further* that notwithstanding the foregoing clause, up to an aggregate of \$10.0 million of (x) non-cash consideration and consideration received as referred to in Section 4.10(b)(ii), (y) assets invested in pursuant to Section 4.10(c) and (z) assets received pursuant to clause (d) under the definition of “Asset Disposition” may be designated by the Company or the Issuer as Excluded Property not required to be pledged as Collateral, so long as the Collateral Ratio is at least 100% after giving effect thereto;

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

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

(f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided, however*, that any such loan or advance exceeding \$1.0 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

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

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

(i) Investments in an aggregate amount outstanding not to exceed \$10.0 million; and

(j) any Investment arising from the incurrence of Indebtedness by any member of the Secured Group that constitutes Refinancing Indebtedness permitted to be incurred under Section 4.06 (including a Guarantee by any such member of such Refinancing Indebtedness), which Refinancing Indebtedness is refinancing Indebtedness of the Company or any other Restricted Subsidiary, and the related repayment of the Indebtedness of the Company or such other Restricted Subsidiary; *provided* that (i) any such Indebtedness incurred by members of the Secured Group is Permitted Secured Indebtedness and (ii) this clause (j) shall not permit any Guarantee of any other Indebtedness of the Company or any other Restricted Subsidiary by any member of the Secured Group.

“**Permitted Joint Venture**” means any joint venture between any member of the Secured Group and any other person that is not an affiliate of the Company; *provided* that (i) such joint venture is solely engaged in the business of the development, construction and sale of homes and has no assets, liabilities or operations other than those reasonably related to such business, (ii) such Person owns no Capital Stock or other equity interests in, or Indebtedness of, the Company or any of its Restricted Subsidiaries and makes no Investments in the Company or any of its Restricted Subsidiaries and (iii) any management services agreement with such Permitted Joint Venture is entered into by a member of the Secured Group and not with the Company or any of its other Restricted Subsidiaries; *provided* that HovWest Land Acquisition LLC shall not be deemed a Permitted Joint Venture.

“**Permitted Liens**” means

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

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

- (c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,
- (d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (a)(i) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (e) attachment or judgment Liens not giving rise to a Default or an Event of Default,
- (f) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (g) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (h) Liens securing Indebtedness incurred pursuant to clause (i) or (j) of the definition of "Permitted Indebtedness",
- (i) Liens securing Indebtedness incurred pursuant to clause (a) of the definition of "Permitted Indebtedness" and other Obligations (including Refinancing Indebtedness in respect thereof incurred pursuant to such clause),
- (j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided* that such Liens apply only to (i) the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property,
- (k) Liens securing Purchase Money Indebtedness; *provided* that such Liens apply only to (i) the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the

incurrence of such Purchase Money Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property,

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

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

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

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

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

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

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced and have the same or junior priority as the initial Liens; *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) of this definition,

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

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

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

(w) Liens existing on the Issue Date (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.

"Permitted Secured Indebtedness" means Indebtedness (including Additional Notes) that is permitted to be incurred under this Indenture and is secured by a Lien on the Collateral in an aggregate amount not exceeding (1) \$195 million less the principal amount of Notes issued on the Issue Date, plus (2) the greater of (a)(i) 100% of the aggregate net cash proceeds of any capital contributions from the Company or any Restricted Subsidiary that is not a member of the Secured Group to the common equity capital of JV Holdings after the Issue Date (to the extent that such proceeds are pledged as Collateral) minus (ii) the aggregate amount of Restricted Payments made by members of the Secured Group on or after the Issue Date (other than Restricted Payments permitted pursuant to Section 4.07(b)(vi)) and excluding any such contribution received from the Company or any Restricted Subsidiary that constitutes an Excluded Contribution or (b) an aggregate principal amount such that, on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 100%.

"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.

“**Pledge Agreement**” means the First Lien Pledge Agreement dated as of the Issue Date among the members of the Secured Group and the Collateral Agent, as amended, amended and restated, supplemented (including by a joinder thereto) or otherwise modified from time to time.

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

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

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

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

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

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

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

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

“**Record Date**” for the interest payable on any Interest Payment Date means the April 15 or October 15 (whether or not a Business Day) immediately preceding such Interest Payment Date.

“**Refinancing Indebtedness**” means Indebtedness (to the extent not Permitted Indebtedness) that refunds, redeems, defeases, repurchases, exchanges, refinances or extends any Indebtedness of the Company, 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 the Company, 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,

(d) such Refinancing Indebtedness is in an aggregate principal amount (or accreted value, if applicable) that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended, plus any accrued and unpaid interest on such Indebtedness (plus (i) fees and expenses and (ii) the amount of any defeasance costs and any premiums (including tender premiums), in each case incurred in connection with the refinancing thereof), and

(e) the Refinancing Indebtedness is not incurred or guaranteed by any member of the Secured Group unless (i) such Refinancing Indebtedness is Permitted Secured Indebtedness or (ii) the Indebtedness being refinanced was incurred or guaranteed by a member of the Secured Group;

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

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

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

“Registration Rights Agreement” means the registration rights agreement among the Company, the Issuer, the Guarantors and the Dealer Managers, dated the Issue Date, pursuant to which the Company, the Issuer and the Guarantors agree, under certain conditions, to file a registration statement with the Commission with respect to an offer to exchange the Notes for Exchange Notes or, under specified circumstances, to file a shelf registration statement with the Commission covering resales of the Notes.

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

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

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

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

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

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

“Resale Restriction Termination Date” has the meaning ascribed to it in Section 2.12 hereof.

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

“Restricted Global Note” has the meaning ascribed to it in Section 2.12 hereof.

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

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

“Restricted Payment” means any of the following:

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company, the Issuer or any Restricted

Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock, (ii) in the case of the Issuer or Restricted Subsidiaries other than members of the Secured Group, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary and (iii) in the case of members of the Secured Group, (A) dividends or distributions payable to any member of the Secured Group and (B) dividends or distributions to the Company, the Issuer or any other Restricted Subsidiary, which dividends or distributions are in an amount not in excess of, and are used to pay, interest on the Notes and are made as and when such interest payments are due);

(b) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made by (i) any person that is not a member of the Secured Group to the Company, the Issuer or any Restricted Subsidiary or (ii) any member of the Secured Group to any member of the Secured Group); and

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

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

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

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

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

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

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

“**Secured Group**” means JV Holdings and its Subsidiaries that are not Permitted Joint Ventures or JV Holding Companies. On the Issue Date, JV Holdings, K. Hovnanian JV Services Company, L.L.C., K. Hovnanian HovWest Holdings, L.L.C., HovWest Land Acquisition, LLC, Heritage Pines, LLC and K.

Hovnanian at Cobblestone Square Condominiums, L.L.C. shall be the initial members of the Secured Group.

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

“**Security Agreement**” means the First Lien Security Agreement dated as of the Issue Date among the members of the Secured Group and the Collateral Agent, as amended, amended and restated, supplemented (including by a joinder thereto) or otherwise modified from time to time.

“**Security Documents**” means the Security Agreement, the Pledge Agreement, any Collateral Agency Agreement and any other security documents (including control agreements) granting a security interest in any assets of any Person to secure the Indebtedness and related Obligations under the Notes and the Guarantees as each may be amended, restated, supplemented or otherwise modified from time to time.

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

“**Senior Secured Notes**” means the Issuer’s 105/8% Senior Secured Notes due 2016.

“**Senior Secured Notes Indenture**” means the indenture dated as of October 20, 2009 among the Issuer, Hovnanian, the other guarantors party thereto and Wilmington Trust Company, as trustee, as amended and supplemented, relating to the Senior Secured Notes.

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

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

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

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

“**Treasury Rate**” 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 as determined by the Issuer in its sole discretion, the Issuer shall calculate yields for the published maturities occurring prior to and after such maturity most closely corresponding to such maturity pursuant to the immediately preceding sentence and shall interpolate or extrapolate the Treasury Rate from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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

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

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

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

“**Unrestricted Global Note**” has the meaning ascribed to it in Section 2.12 hereof.

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

by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the subsidiaries of the Company named in Exhibit J hereto.

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

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under Section 4.06(a) hereof. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers’ Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers’ Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person (other than any member of the Secured Group) as Unrestricted Subsidiaries; *provided, however*, that the ownership of the general partnership interest (or a similar member’s interest in a limited liability company)

by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

“\$” means U.S. dollars.

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

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

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

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

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

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

ARTICLE 2

The Notes

Section 2.01. *Form, Dating and Denominations; Legends.* (a) The Notes shall be issued in two separate series, designated as the “**2.00% Senior Secured Notes Due 2021**” and the “**5.00% Senior Secured Notes Due 2021**”. The Holders of the Notes of each series shall vote together as a single class for all purposes under this Indenture. The Notes and the Trustee’s certificate of authentication shall be substantially in the form attached as Exhibit A. The terms

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

(b) (i) Except as otherwise provided in clause (c) of this Section 2.01, Section 2.09(b)(iv), Section 2.10(b)(iii), Section 2.10(b)(v), or Section 2.10(c), each Initial Note or Initial Additional Note shall bear the Restricted Legend.

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

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

(iv) Initial Notes and Initial Additional Notes offered and sold (or issued in an exchange transaction) in reliance on Regulation S shall be issued as provided in Section 2.11(a).

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

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

(c) (i) If the Issuer determines (upon the advice of counsel and after consideration of other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, or

(ii) after an Initial Note or any Initial Additional Note of a series of Notes is

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

(B) is validly tendered for an Exchange Note of such series pursuant to an Exchange Offer

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

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

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

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

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

(i) Initial Notes for original issue in the aggregate principal amount of \$53,203,000 for the 2.00% Notes and \$141,797,000 for the 5.00% Notes,

(ii) Initial Additional Notes of a series of Notes from time to time for original issue for such series and in the aggregate principal amounts specified by the Issuer, and

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

after the following conditions have been met:

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

- (1) the series and amount of Notes to be authenticated and the date on which the Notes are to be authenticated,
- (2) whether the Notes are to be Initial Notes, Initial Additional Notes or Exchange Notes for such series,
- (3) in the case of Initial Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,
- (4) whether the Notes are to be issued as one or more Global Notes or Certificated Notes, and
- (5) other information the Issuer may determine to include or the Trustee may reasonably request.

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

(C) In the case of Exchange Notes of a series of Notes, effectiveness of an Exchange Offer Registration Statement and Consummation (as defined in the applicable Registration Rights Agreement) of the exchange offer thereunder (and receipt by the Trustee of an Officers' Certificate to that effect). Initial Notes or Initial Additional Notes of such series exchanged for Exchange Notes of such series shall be cancelled by the Trustee, who shall dispose of them in accordance with its normal procedures or the written instructions of the Issuer.

Section 2.03. *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating

Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent shall be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case, the Issuer and the Trustee shall enter into an appropriate agreement with the Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

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

Section 2.04. *Replacement Notes.* If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note of like tenor and principal amount of the same series and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

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

- (i) Notes cancelled by the Trustee or delivered to it for cancellation;
- (ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a protected purchaser; and

(iii) on or after the maturity date or any redemption date or date for purchase of the Notes pursuant to an Offer to Purchase, those Notes payable or to be redeemed or purchased on that date for which the Trustee (or Paying Agent, other than the Issuer or an Affiliate of the Issuer) holds money sufficient to pay all amounts then due.

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

Section 2.06. *Temporary Notes.* Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer shall cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any temporary Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of the same series in authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes of the same series.

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

issue new Notes to replace Notes that it has paid in full or delivered to the Trustee for cancellation, except for Exchange Notes.

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

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

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

(ii) Each Global Note shall be delivered to the Trustee as custodian for the Depository. Transfers of a Global Note (but not a beneficial interest therein) shall be limited to transfers thereof in whole, but not in part, to the Depository, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by 20 days’ prior written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section and Section 2.10.

(iii) Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depository, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depository or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any

action which a Holder is entitled to take under this Indenture or the Notes, and nothing herein shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depositary (i) notifies the Issuer that it is unwilling or unable to continue as Depositary for a Global Note and a successor depositary is not appointed by the Issuer within 90 days of the notice or (ii) has ceased to be a clearing agency registered under the Exchange Act, (y) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (z) a Default or an Event of Default with respect to any series of the Notes has occurred and is continuing, the Trustee shall promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes of the same series in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depositary, and thereupon the Global Note shall be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor shall not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor shall bear the Restricted Legend; *provided*, that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note shall have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of the same series of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

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

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

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

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

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

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

(ii) *Global Note to Certificated Note*. If a beneficial interest in a Global Note is transferred or exchanged for a Certificated Note of the same series, the Trustee shall (x) record a decrease in the principal amount of such Global Note equal to the principal amount of such transfer or

exchange and (y) deliver one or more new Certificated Notes of the same series in authorized denominations having an equal aggregate principal amount to the transferee (in the case of a transfer) or the owner of such beneficial interest (in the case of an exchange), registered in the name of such transferee or owner, as applicable.

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

(iv) *Certificated Note to Certificated Note.* If a Certificated Note is transferred or exchanged for another Certificated Note of the same series, the Trustee shall (x) cancel the Certificated Note being transferred or exchanged, (y) deliver one or more new Certificated Notes of the same series in authorized denominations having an aggregate principal amount equal to the principal amount of such transfer or exchange to the transferee (in the case of a transfer) or the Holder of the canceled Certificated Note (in the case of an exchange), registered in the name of such transferee or Holder, as applicable, and (z) if such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more Certificated Notes of the same series in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

Section 2.10. *Restrictions on Transfer and Exchange.* (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depository. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(b) Subject to paragraph (c) of this Section, the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if

any) described in the clause of this paragraph set forth opposite in column C below.

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

(i) No certification is required.

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

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

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

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

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein)

(i) after such Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule; *provided*, that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer or the Trustee may require from any Person requesting a transfer or exchange in reliance upon this clause (i) an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate; or

(ii) (A) sold pursuant to an effective registration statement under the Securities Act, filed pursuant to a Registration Rights Agreement or otherwise or (B) which is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer.

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

(d) The Trustee shall retain copies of all certificates, opinions and other documents received in connection with the registration of transfer or exchange of a Note (or a beneficial interest therein), and the Issuer shall have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee.

Section 2.11. *Regulation S Temporary Global Notes.* (a) Each Initial Note and Initial Additional Note originally sold (or issued in an exchange transaction) in reliance upon Regulation S shall be evidenced by one or more

Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

(b) An owner of a beneficial interest in a Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to the Trustee (and the Trustee shall accept) a duly completed Certificate of Beneficial Ownership at any time after the Restricted Period (it being understood that the Trustee shall not accept any such certificate during the Restricted Period). Promptly after acceptance of a Certificate of Beneficial Ownership with respect to such a beneficial interest, the Trustee shall cause such beneficial interest to be exchanged for an equivalent beneficial interest in a Permanent Regulation S Global Note of the same series, and shall (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

(c) Notwithstanding anything to the contrary contained herein, beneficial interests in a Regulation S Temporary Global Note may be held through the Depository only through Euroclear or Clearstream and their respective direct and indirect participants.

(d) Notwithstanding paragraph (b), if after the Restricted Period any Initial Purchaser owns a beneficial interest in a Regulation S Temporary Global Note, such Initial Purchaser may, upon written request to the Trustee accompanied by a certification as to its status as an Initial Purchaser, exchange such beneficial interest for an equivalent beneficial interest in a Permanent Regulation S Global Note of the same series, and the Trustee shall comply with such request and shall (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

Section 2.12. *Automatic Exchange from Restricted Global Notes to Unrestricted Global Notes.* Beneficial interests in a Rule 144A Global Note that is subject to restrictions set out in the Section 2.01, as applicable (including the legend set forth in Exhibit C) (the “**Restricted Global Note**”), may be automatically exchanged into beneficial interests in an unrestricted Global Note that is no longer subject to the restrictions set out in Section 2.01 (including removal of the legend set forth in Exhibit C) (the “**Unrestricted Global Note**”), without any action required by or on behalf of Holders, who are not “affiliates” (as defined in Rule 144 under the Securities Act) of the Issuer (the “**Automatic Exchange**”). In order to effect such exchange, the Issuer may at least 15 days but not more than 30 days prior to the date which is at least one year after the last date of the original issuance of the Notes (the “**Resale Restriction Termination Date**”), deliver a notice of Automatic Exchange (an “**Automatic Exchange**”).

Notice”) to each Holder at such Holder’s address appearing in the Register with a copy to the Trustee. The Automatic Exchange Notice shall identify the Notes of each series subject to the Automatic Exchange, shall assume that each such Holder is not an affiliate and has not purchased its Notes from an affiliate, shall result in each such Holder being deemed to have made a representation to the Issuer that it is not an affiliate and that it has not purchased its Notes from an affiliate and shall state: (1) the date of the Automatic Exchange; (2) the “CUSIP” number of the Restricted Global Note from which such Holders’ beneficial interests shall be transferred and (3) the “CUSIP” number of the Unrestricted Global Note into which such Holders’ beneficial interests shall be transferred. If such Holder is unable to make the deemed representation set forth in the previous sentence, then such Holder shall be required to so notify the Issuer or the Trustee at least one business day prior to the date of the Automatic Exchange. At the Issuer’s request on no less than 5 days’ prior notice, the Trustee shall deliver in the Issuer’s name and at its expense, the Automatic Exchange Notice to each Holder at such Holder’s address appearing in the Register; provided, however, that the Issuer shall have delivered to the Trustee a written order of the Issuer and an Officers’ Certificate requesting that the Trustee give the Automatic Exchange Notice (in the name and at the expense of the Issuer) and setting forth the information to be stated in the Automatic Exchange Notice as provided in the preceding sentence. As a condition to any such exchange pursuant to this Section 2.12, the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officers’ Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee to the effect that no registration under the Securities Act is required in connection with any re-sales by a holder of beneficial interests in the Unrestricted Global Note. Any such Opinion of Counsel may include an assumption and/or a reliance provision as to the non-affiliate status of the Holders of Notes subject to such Automatic Exchange. Upon such exchange of beneficial interests pursuant to this Section 2.12, the Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Note(s) and the Unrestricted Global Note, respectively, equal to the principal amount of beneficial interests transferred. If an Unrestricted Global Note is not then outstanding at the time of the Automatic Exchange, the Issuer shall execute and the Trustee shall authenticate and deliver an Unrestricted Global Note to the Depositary. Following any such transfer pursuant to this Section 2.12, provided that no Holder is an affiliate, the relevant Restricted Global Note shall be cancelled.

ARTICLE 3
Redemption; Offer to Purchase

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

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

The term “**Make-Whole Amount**” shall mean, in connection with any optional redemption of any Note and as determined by the Issuer in its sole discretion, the excess, if any, of:

(i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the 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*

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

Section 3.02. *Redemption with Proceeds of Equity Offering.* (a) At any time and from time to time prior to November 1, 2014, the Issuer may redeem 2.00% Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 102% 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 2.00% Notes (including Additional Notes of such series), *provided* that:

- (i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and
- (ii) not less than 65% of the original aggregate principal amount of the 2.00% Notes (including Additional Notes of such series) remains outstanding immediately thereafter.

(b) At any time and from time to time prior to November 1, 2014, the Issuer may redeem 5.00% Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 105% 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 5.00% Notes (including Additional Notes of such series), provided that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the 5.00% Notes (including Additional Notes of such series) remains outstanding immediately thereafter.

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

Section 3.04. *Method and Effect of Redemption.* (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount and series of Notes to be redeemed by delivering an Officers' Certificate at least 45 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes of a series are being redeemed, the Officers' Certificate must also specify a record date not less than 15 days after the date of the notice of redemption is given to the Trustee, and the Trustee shall select the Notes of such series to be redeemed *pro rata*, or as nearly a *pro rata* basis as is practicable (subject to the procedures of DTC), unless such method is otherwise prohibited, in which case, by lot or by any other method the Trustee in its sole discretion deems fair and appropriate, in denominations of \$2,000 principal amount or any multiple of \$1,000 in excess thereof. The Trustee shall notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer to Holders whose Notes are to be redeemed at least 30 days but not more than 60 days before the redemption date. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

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

(i) the redemption date;

- (ii) the redemption price, including the portion thereof representing any accrued interest or Additional Interest, if any;
- (iii) the place or places where Notes are to be surrendered for redemption (Notes called for redemption must be so surrendered in order to collect the redemption price);
- (iv) that on the redemption date, the redemption price shall become due and payable on Notes called for redemption, and interest on Notes called for redemption shall cease to accrue on and after the redemption date;
- (v) that if any Note is redeemed in part, the portion of the principal amount thereof to be redeemed, and that on and after the redemption date, upon surrender of such Note, new Notes of the same series equal in principal amount to the unredeemed portion shall be issued; and
- (vi) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes.

(c) Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and upon surrender of the Notes called for redemption, the Issuer shall redeem such Notes at the redemption price. Commencing on the redemption date, Notes redeemed shall cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder shall receive a new Note of the same series equal in principal amount to the unredeemed portion of the surrendered Note.

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

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

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

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

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

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

(v) information concerning the business of the Company, the Issuer and its Subsidiaries which the Issuer in good faith believes shall enable the Holders to make an informed decision with respect to the Offer to Purchase, at a minimum to include:

(A) the most recent annual and quarterly financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the Company,

(B) a description of material developments in the Company’s business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate *pro forma* financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 4 Covenants

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

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

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

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

Section 4.02. *Maintenance of Office or Agency.* The Company and the Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where

notices and demands to or upon the Company and the Issuer in respect of the Notes and this Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Trustee as such office of the Issuer and the Company. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer and the Company fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

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

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

Section 4.04. *Payment of Taxes and Other Claims.* The Company 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 the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Section 4.05. *Maintenance of Properties and Insurance.* (a) The Company shall cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; *provided*, that nothing in this Section prevents the Company or any Restricted Subsidiary from

discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

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

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

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

(i) Permitted Indebtedness,

(ii) Refinancing Indebtedness,

(iii) Non-Recourse Indebtedness,

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

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

(vi) any guarantee by the Issuer, the Company or any Guarantor of Indebtedness that is permitted to be incurred in compliance with this Indenture; *provided* that in the event such Indebtedness that is being guaranteed is subordinated 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) No member of the Secured Group may guarantee any Indebtedness of the Company, the Issuer or any Restricted Subsidiary that is not a member of

the Secured Group pursuant to clauses (v) and (vi) of Section 4.06(b) unless such guarantee constitutes Permitted Secured Indebtedness.

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

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

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

(f) In addition to the foregoing, the Company and the Issuer will not cause or permit any member of the Secured Group to, and no member of the Secured Group will, incur any Indebtedness to finance an acquisition of Property if, at the time of incurrence, the acquisition of such Property was more than 50% financed with Indebtedness.

Section 4.07. *Limitations on Restricted Payments.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (ii) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and

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

(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 2011 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), *plus*

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 2011 or any issue or sale after February 1, 2011 of Qualified Stock (other than (x) to any Subsidiary of the Company or (y) any Excluded Contribution) and (2) the issue or sale after February 1, 2011 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, *plus*

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to February 1, 2011, that would have constituted a Restricted Payment if made after February 1, 2011, if such disposition or repayment results in cash received by the Company, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated (or would have been treated when made) as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), *plus*

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after February 1, 2011, 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

February 1, 2011, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (1) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (2) 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 Section 4.07(a) will not prohibit:

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

(ii) the purchase, redemption, or other acquisition, cancellation or retirement for value of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company 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, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a);

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

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

(vi) the making, by members of the Secured Group, of (A) Investments in any Permitted Joint Venture (which Investment may be made via an Investment in the JV Holding Company, if any, owning such Permitted Joint Venture) or (B) dividends to the Company or any of its other Restricted Subsidiaries, in an aggregate amount under this clause (vi) not to exceed the amount of cash and Cash Equivalents received by the Secured Group after the Issue Date constituting Excluded Fee Payments; and

(vii) Restricted Payments, if any, made in connection with the repurchase, redemption, defeasance or other acquisition of the Existing Notes pursuant to the exchange offers described in the Offering Memorandum;

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

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

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

Section 4.08. *Limitations on Liens.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens on the Collateral, other than Permitted Collateral Liens.

(b) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens 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 (in each case, other than such Property, shares of Capital Stock or Indebtedness constituting Collateral) 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.

(c) No member of the Secured Group will create, incur, assume or suffer to exist any Liens on the Capital Stock of any Permitted Joint Venture or JV Holding Company owned by such member, other than Liens securing Indebtedness or other obligations of such Permitted Joint Venture or JV Holding Company, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

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

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

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

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

except for:

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

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

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

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

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

(ix) encumbrances or restrictions existing under or by reason of this Indenture, the Notes or the Guarantees and substantially similar encumbrances or restrictions existing under Permitted Secured Indebtedness,

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

(xi) Liens permitted under 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 4.09 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this Section 4.09, *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company' s Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

Section 4.10. *Limitations on Dispositions of Assets.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (x) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral).

(b) The amount of (i) any Indebtedness (other than any Subordinated Indebtedness) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition (other than a disposition of Collateral (unless the Indebtedness so assumed consists of Indebtedness under the Notes or other Indebtedness secured by parity Liens on the Collateral)) and (ii) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets (including Capital Stock of any Person that will be a Restricted Subsidiary following receipt thereof) received that are used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of “Permitted Investment”) to the extent that the assets disposed of in such Asset Disposition were Collateral, such property or assets (i) are received by a member of the Secured Group and (ii) are pledged as Collateral under the Security Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of), shall be deemed to be consideration required by clause (y) of Section 4.10(a) for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company’s election, (1) be used by the Company or a Restricted Subsidiary to invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries (*provided* that (except as permitted by clause (c) under the definition of “Permitted Investment” to the extent that the assets disposed of in such Asset Disposition were Collateral, such assets are pledged as Collateral under the Security Documents with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of), (2) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral, or (3) be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, repurchase or redeem any other Permitted Secured Indebtedness (or cash collateralize letters of credit that constitute Permitted Secured Indebtedness incurred in accordance with the Indenture in connection with a Credit Facility) and, if the Company or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, to repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase, (y) the lesser of the principal amount, or accreted value, of such other

Permitted Secured Indebtedness tendered or to be repaid, redeemed, repurchased or cash collateralized and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption. Pending any such application under this Section 4.10(c), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Indenture.

(d) Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds in accordance with clauses (2) or (3) of Section 4.10(c) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed \$25 million and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of Section 4.10(a) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed \$25 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 4.10(c). Notwithstanding anything to the contrary in this Indenture, in connection with the making of an Offer to Purchase pursuant to Section 4.10(c)(3), Net Cash Proceeds of an Asset Disposition in which the assets disposed of constituted Collateral may be received by or transferred to the Issuer, solely for purposes of funding such Offer to Purchase.

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

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

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

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

(i) with respect to any such Affiliate Transaction involving or having a value of more than \$1.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$10.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

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

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

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

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

(iv) any transaction between or among (A) the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries, so long as no such Restricted Subsidiaries are members of the Secured Group or (B) any members of the Secured Group (*provided, however*, that in each case no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by this Indenture)),

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

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

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

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

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

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

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

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

Notwithstanding the foregoing:

(i) no member of the Secured Group may merge with or into the Company or any of its other Subsidiaries or sell, lease, convey or otherwise dispose of all or substantially all of its assets to any of them, and

(ii) the Company may not sell, lease, convey or otherwise dispose of all or substantially all of assets of the Secured Group (including, without limitation, by way of liquidation or dissolution), or assign any of their 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 or Persons (in each case other than in a transaction in which a member of the Secured Group is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition and the Liens on the Collateral securing the applicable Guarantees remain with the same priority as prior to such transactions).

Section 4.15. *Reports to Holders of Notes.* (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic 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 the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes. In each quarterly and annual report filed or provided pursuant to this Section 4.15, the Company shall include quantitative disclosure about the assets and liabilities of the Secured Group that is consistent with the disclosure about such assets and liabilities included in the Offering Memorandum.

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

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

(d) All "obligors," as that term is defined under the Trust Indenture Act, on the Notes, including the Issuer and the Guarantors, will comply with Section 314(a) of the Trust Indenture Act.

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

Section 4.16. *Reports to Trustee.* (a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the Company's independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.

(b) The Company shall deliver to the Trustee, on or prior to each Interest Payment Date, an Officers' Certificate setting forth the amount of Additional Interest, if any, the Issuer is required to pay on that Interest Payment Date. If no Additional Interest is required to be paid on a given Interest Payment Date, no such Officers' Certificate is required to be delivered to the Trustee for that Interest Payment Date.

(c) All "obligors," as that term is defined under the Trust Indenture Act, on the Notes, including the Issuer and the Guarantors, will comply with Section 314(a) of the Trust Indenture Act. The Company will notify the Trustee when any Notes are listed on any national securities exchange and of any delisting.

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

Section 4.18. *Further Assurances; Costs.*

(a) On the Issue Date, the Secured Group Guarantors will grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected first priority liens (subject to Permitted Collateral Liens), including through filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Security Documents to be entered into on the Issue Date and this Indenture.

(b) If any member of the Secured Group at any time after the Issue Date acquires any new property (other than Excluded Property) that is not automatically subject to a perfected Lien under the Security Documents or any member of the Secured Group acquires or creates a Subsidiary, then such member of the Secured Group will, subject to the requirements of the Security Documents, as soon as practical after such property's acquisition or it no longer being Excluded Property or after such Subsidiary is acquired or created:

(i) grant a Lien on such property (or, in the case of such a newly acquired or created Subsidiary, all of its assets other than Excluded Property) in favor of the Collateral Agent for the benefit of the holders of First-Priority Lien Obligations (and, to the extent such grant would require the execution and delivery of a Security Document, such member of the Secured Group shall execute and deliver a Security Document (including a joinder thereto) on substantially the same terms as the Security Documents executed and delivered on the Issue Date);

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

(iii) cause any such newly acquired or created Subsidiary other than a Restricted Subsidiary to become a Guarantor.

Such member of the Secured Group shall deliver an Opinion of Counsel to the Trustee in respect of the validity, perfection or priority of any Lien grant referred to in this clause (a) by a new guarantor addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel delivered on the Issue Date in respect of such matters.

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

(i) the members of the Secured Group shall enter into control agreements with respect to the Collateral constituting deposit, checking and securities accounts (other than Excluded Accounts (as defined in the Security Agreement)) as soon as commercially reasonable following the Issue Date, but in no event later than 90 days following the Issue Date;

(ii) no control agreements shall be required for Excluded Accounts (as defined in the Security Agreement) and Excluded Fee Payments may be deposited therein; and

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

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

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

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

(a) Notwithstanding this Article 4, the Issuer' s, the Company' s and its Restricted Subsidiaries' obligations to comply with the provisions of this Indenture described above under Sections 4.06, 4.07, 4.09, 4.10, 4.13 and clause (iii) of the first paragraph of Section 4.14 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 this 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, the Company' 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, the amount of Restricted Payments made after the Issue Date will be calculated as though Section 4.07 had been in effect during the entire period after such date. Accordingly, Restricted Payments made after the Suspension Date will reduce the amount available to be made as Restricted Payments under Section 4.07(a).

(c) Notwithstanding clauses (a) and (b) of this Section 4.19, 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 Company or any of its Subsidiaries prior to such reinstatement, or action taken by the Company or any of its Subsidiaries at any time pursuant to a contractual obligation arising prior to such reinstatement (not entered into in contemplation of such reinstatement) shall give rise to a Default or Event of Default under this Indenture upon reinstatement.

(d) The Issuer shall promptly notify the Trustee of any suspension or reinstatement of the above-mentioned covenants.

ARTICLE 5

Remedies

Section 5.01. *Events of Default.* "**Event of Default**" with respect to any series of the Notes, as applicable, means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on, or Additional Interest, if any, with respect to, any Note of such series when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note of such series when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees or this Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Section 4.12 and 4.14, which will constitute Events of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$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 the Company, 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 the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

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

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

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

(A) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

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

(C) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days;

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

(x) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any material portion of the Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Indenture or the Security Documents) other than in accordance with the terms of the relevant Security Document and this Indenture and other than the satisfaction in full of all Obligations under this Indenture or the release or amendment of any such Lien in accordance with the terms of this Indenture or the Security Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance with the terms of this Indenture and the relevant Security Document, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Issuer or any Guarantor.

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

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) of this Section 5.01), shall have occurred and be continuing under this Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company or the Issuer specified in subclauses (vii) or (viii) of this Section 5.01 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest and Additional Interest, if any, upon all of the Notes and the principal of all the Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest and Additional Interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the applicable rate borne by the Notes of each series to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due the Trustee under Section 7.07, and any and all defaults under this Indenture, other than the nonpayment of such portion of the principal amount of and accrued interest and Additional Interest, if any, on Notes which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.03 or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice

or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.

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

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

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

Section 5.03. *Waiver of Defaults by Majority of Holders.* By written notice to the Trustee and the Company, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences, except a Default in the payment of interest and Additional Interest, if any, on, or the principal of, the Notes. Upon any such waiver, the Issuer, the Trustee and the Holders of Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.03, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

Section 5.04. *Direction of Proceedings.* The Holders of a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy

available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that (subject to the provisions of Section 7.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, its executive committee, or a trust committee of directors or Responsible Officers or both shall determine that the action or proceeding so directed would involve the Trustee in personal liability.

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

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee (including in its role as Collateral Agent under the Security Documents), its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 except as a result of its negligence or bad faith;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest or Additional Interest, if any, on the Notes, in the order of the maturity of the installments of such interest or Additional Interest, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest and Additional Interest, if any, at the applicable rate borne by the Notes of each series, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal, interest and Additional Interest, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest and Additional Interest, if any, at the applicable rate borne by the Notes of each series, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest and Additional Interest, if any, without preference or priority of principal over interest or Additional Interest, if any, or of interest or Additional Interest, if any, over principal, or of interest over Additional

Interest, if any, or of any installment of interest, if any, or Additional Interest, if any, over any other installment of interest or Additional Interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest and Additional Interest, if any; and

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

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

Section 5.06. *Proceedings by Holders.* No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note to receive payment of the principal of, premium, if any, and interest and Additional Interest, if any, on such Note, on or after the maturity thereof, or to institute suit for the enforcement of any such payment on or after

such respective dates shall not be impaired or affected without the consent of such Holder.

Section 5.07. *Proceedings by Trustee.* In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 5.08. *Remedies Cumulative and Continuing.* All powers and remedies given by this Article 5 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.06, every power and remedy given by this Article 5 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 5.09. *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the then outstanding Notes, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest or Additional Interest, if any, on any Note against the Issuer on or after the due date of such Note.

Section 5.10. *Notice of Defaults.* (a) The Company is required to deliver to the Trustee an annual statement regarding compliance with this Indenture, and

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

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

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

Section 5.12. *Trustee May File Proof of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the

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

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

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

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

If there shall be pending proceedings for the bankruptcy or for the reorganization of the Issuer or any other obligor on the Notes under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if a receiver or trustee or similar official shall have been appointed for the property of the Issuer or such other obligor, or in the case of any other similar judicial proceedings relative to the Issuer or other obligor on the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and Additional Interest, if any, owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in such judicial proceedings relative to the Issuer or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, and any receiver, assignee or trustee or similar official in bankruptcy or reorganization is hereby authorized by each of the Holders to make such payments to the Trustee, and, if the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for compensation and expenses or otherwise pursuant to Section 7.07, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

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

ARTICLE 6

Guarantees; Release of Guarantor

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

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

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

The Guarantee set forth in this Section 6.01 and as annexed to any Note shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed agent.

Section 6.02. *Obligations of each Guarantor Unconditional.* Nothing contained in this Article 6 or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, the obligations of such Guarantor which are absolute and unconditional, to pay to the Holders the principal of, premium, if any, and interest and Additional Interest, if any, on the Notes as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 6 the Trustee, subject to the provisions of Article 7, the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to such Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

Section 6.03. *Release of a Guarantor.* (a) If (i) all or substantially all of the assets of any Guarantor (other than (A) the Company or (B) any member of the Secured Group) or (ii) all of the Capital Stock of any Guarantor (other than (A) the Company or (B) any member of the Secured Group) is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor (other than (A) the Company or (B) any member of the Secured Group that is not a Permitted Joint Venture or JV Holding Company) is designated an Unrestricted Subsidiary in accordance with the terms of this Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a

designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under this Indenture without any further action on the part of the Trustee or any Holder of Notes.

(b) Upon the release of a guarantee by a Guarantor other than the Company under all then outstanding Applicable Debt, at any time after the suspension of the Suspended Covenants as provided in Section 4.19, (i) the Guarantee of such Guarantor under the Indenture will be released and discharged 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 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 subject to the conditions set forth in this Indenture or (ii) the Suspended Covenants cease to be suspended as described in Section 4.19 then all Restricted Subsidiaries of the Company then existing (other than the Issuer (for so long as it remains the Issuer)) will Guarantee the Notes on the terms and conditions set forth in this Indenture. For purposes of this Section 6.03(b), Applicable Debt secured by a Lien on a Restricted Subsidiary's Property or issued by a Restricted Subsidiary shall be deemed guaranteed by such Restricted Subsidiary.

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

Section 6.04. *Execution and Delivery of Guarantee.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed guarantee substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee on behalf of each Guarantor.

Section 6.05. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article 6, each Guarantor, and by its acceptance of a Note, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the

Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

Section 6.06. *Article 6 not to Prevent Events of Default.* The failure to make a payment on account of principal, premium, if any, or interest or Additional Interest, if any, on the Notes by reason of any provision in this Article 6 shall not be construed as preventing the occurrence of any Event of Default under Section 5.01.

Section 6.07. *Waiver by the Guarantors.* To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 6.

Section 6.08. *Subrogation and Contribution.* Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

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

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

Section 6.10. *Guarantors as “obligors” for Provisions Included in this Indenture Pursuant to the Trust Indenture Act.* Each provision included in this Indenture which is required to be included by any of Sections 310 to 317 of the Trust Indenture Act, inclusive, or is deemed applicable to this Indenture by virtue of the provisions of the Trust Indenture Act, and which applies to an “obligor,” as that term is defined under the Trust Indenture Act, shall apply to each of the Guarantors; *provided* that in each case the provisions of TIA §314(b) and §314(d) shall only apply following qualification of this Indenture under the TIA.

ARTICLE 7
The Trustee

Section 7.01. *General.* (a) The duties and responsibilities of the Trustee are as provided by the Trust Indenture Act and as set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee is subject to this Article.

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

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

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

(b) Before the Trustee acts or refrains from acting, it may require an Officers’ Certificate or an Opinion of Counsel conforming to Section 13.05 and the Trustee shall not be liable for any action it takes or

omits to take in good faith in reliance on such a certificate or opinion. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer or the Company, as applicable, shall be sufficient if signed by an Officer of the Issuer or the Company, as applicable.

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

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

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

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

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

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

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

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

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

(a) “**cash transaction**” means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

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

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

Section 7.05. *Reserved.*

Section 7.06. *Reports by Trustee to Holders.* Within 60 days after each May 1, beginning with May 1, 2012, the Trustee shall mail to each Holder, as

provided in Trust Indenture Act Section 313(c) a brief report dated as of such May 1, if required by Trust Indenture Act Section 313(a).

Section 7.07. *Compensation and Indemnity.* (a) The Company shall pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) In addition to any other indemnity provided to the Trustee hereunder, the Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes.

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

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

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

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

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

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

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

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

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

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

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

Section 7.09. *Successor Trustee by Merger.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

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

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

ARTICLE 8 Defeasance and Discharge

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

of Notes of such series that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.02. *Covenant Defeasance*. The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be released from their obligations with respect to a series of Notes and the Guarantees for such series under the covenants contained in Sections 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12 and 4.13, clause (iii) of Section 4.14, Section 4.18 and Article 6 (except for Section 6.03 and Section 6.10) and each Guarantor's obligation under its Guarantee for such series, on and after the date that the conditions set forth in Section 8.03 are satisfied and the Liens on the Collateral granted under the Security Documents shall be released in respect of such series (hereinafter, "**Covenant Defeasance**"), and the Notes of such series shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders of Notes of such series (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder (it being understood that the Notes of such series shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Notes of such series and the Guarantees for such series, the Issuer, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01 hereof, but, except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby in respect of such series of Notes. Subject to the satisfaction of the conditions set forth in Section 8.03 hereof, Sections 5.01(iii) (with respect to the covenants so defeased), 5.01(iv), 5.01(v), 5.01(vi), 5.01(ix) and 5.01(x) shall not constitute Events of Default or Defaults hereunder.

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

In order to exercise either Legal Defeasance or Covenant Defeasance:

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

Issuer must specify whether the Notes of such series are being defeased to maturity or to a particular redemption date;

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

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of Notes of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance, and such Holders of Notes of such Series will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

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

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

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

(g) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Trustee, each stating that the conditions precedent provided for or relating to Legal

Defeasance or Covenant Defeasance, as applicable, in the case of the Officers' Certificate, in clauses (a) through (f) and, in the case of the Opinion of Counsel, in clauses (b) and (c) of this Section 8.03, have been complied with.

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

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.03 or Section 8.08 hereof or the principal, premium, if any, interest and Additional Interest, if any, received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Notes of such series.

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

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

Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in *The New York Times* and *The Wall Street Journal* (national editions), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

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

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

Section 8.08. *Satisfaction and Discharge of Indenture.* If at any time (a) (i) the Issuer shall have paid or caused to be paid the principal of, premium, if any, and interest and Additional Interest, if any, on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Notes theretofore authenticated (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04), or (b) (i) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Additional Interest, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is

continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and (v) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including all amounts, payable to the Trustee pursuant to Section 7.07), then, (x) after satisfying the conditions in clause (a), only the Company's obligations under Sections 7.07 and 8.04 will survive or (y) after satisfying the conditions in clause (b), only the Issuer's or the Company's, as applicable, obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.04, 8.05 and 8.06 will survive, and, in either case, the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the satisfaction and discharge contemplated by this provision have been complied with, and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction and discharging of this Indenture and the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred, and to compensate the Trustee for any services thereafter reasonably and properly rendered, by the Trustee in connection with this Indenture or the Notes.

ARTICLE 9

Amendments, Supplements and Waivers

Section 9.01. *Amendments Without Consent of Holders.* The Company, the Issuer, the Guarantors and the Trustee and with respect to the Security Documents, the Collateral Agent, may amend, supplement or waive this Indenture, the Notes, the Guarantees or the Security Documents without notice to or the consent of any Holder:

(a) to evidence the succession of another Person to the Issuer or the Company or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Company herein and in the Notes or the Guarantees;

(b) to add to the covenants of the Issuer or the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders of Notes, or to surrender any right or power herein conferred upon the Issuer or the Company, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions

an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided, however*, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented indenture or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;

(c) to modify the existing covenants and events of default solely in respect of, or add new covenants and events of default that apply solely to, debt securities not yet issued and outstanding as of the Issue Date;

(d) to cure any ambiguity, defect or inconsistency in this Indenture, the Notes, the Guarantees or the Security Documents;

(e) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;

(f) to evidence and provide for the acceptance of appointment hereunder by a successor or replacement Trustee or under the Security Documents of a successor or replacement Collateral Agent;

(g) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;

(h) to provide for any Guarantee of the Notes;

(i) to add security to or for the benefit of the Notes and, in the case of the Security Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by this Indenture and the Security Documents;

(j) to evidence compliance with Section 4.14;

(k) to make any other change that does not adversely affect the legal rights of any Holder;

(l) to conform any provision of this Indenture, the Notes, the Guarantees or the Security Documents to the "Description of New Secured Notes" contained in the Offering Memorandum to the extent that the "Description of New Secured Notes" was intended to be a verbatim recitation of a provision in this Indenture, the Notes, the Guarantees or the Security Documents; or

(m) to authorize the execution of intercreditor agreements on customary terms with respect to liens on the Collateral ranking junior to the Liens securing the Guarantees (for the avoidance of doubt, intercreditor agreements substantially consistent with those entered into in connection with the Senior Secured Notes shall be deemed customary).

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

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

- (i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,
- (ii) reduce the rate of, or extend the time for payment of, any interest, including default interest, on any Note,
- (iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions) with respect to redemptions described under Article 3 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and Section 4.12,
- (iv) make any Note payable in money other than that stated in the Note,
- (v) modify the ranking or priority of the Notes or any Guarantee,
- (vi) make any change in Sections 5.03 or 5.04,
- (vii) release any Guarantor from any of its obligations under its Guarantee or this Indenture otherwise than in accordance with this Indenture,

(viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest or Additional Interest, if any, on the Notes, or

(ix) effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under this Indenture.

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

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

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

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver shall not be affected or impaired by any failure to annotate or exchange Notes in this fashion.

Section 9.04. *Trustee's Rights and Obligations.* The Trustee is entitled to receive, in addition to the documents required by Section 13.04, and will be fully protected in relying upon, an Opinion of Counsel stating (i) that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture or the applicable Security Document

and (ii) in the case of an amendment, supplement or waiver in connection with Section 9.01(k) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such change. If the Trustee has received such Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

Section 9.05. *Conformity with Trust Indenture Act.* Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 9.06. *Payments for Consents.* Neither the Issuer, the Company nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

ARTICLE 10

[Reserved]

ARTICLE 11

Collateral and Security

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

Section 11.02. *Collateral Agent.*

(a) The Issuer hereby appoints Wilmington Trust, National Association to act as Collateral Agent, and the Collateral Agent shall have the privileges, powers and immunities as set forth herein and in the Security Documents. The Issuer and the Guarantors hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case, pursuant to the terms of the Security Documents and the Collateral Agent is hereby authorized to execute and deliver the Security Documents. The Collateral Agent is authorized and empowered to appoint one or more co-Collateral Agents as it deems necessary or appropriate.

(b) Neither the Trustee nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the existence, genuineness, value or protection of any Collateral, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any First-Priority Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the First-Priority Liens or Security Documents or any delay in doing so.

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

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

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

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

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

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

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

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

(c) Subject to the provisions of Section 7.01 and Section 7.02, the Trustee may, in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

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

Subject to Section 7.01 and Section 7.02, the Trustee is authorized and empowered to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the First-Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to

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

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

(a) The First-Priority Liens shall be released, with respect to the Guarantees by the members of the Secured Group:

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

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

(3) in whole, upon a legal defeasance or covenant defeasance of the Notes of all series pursuant to Article 8;

(4) in part, as to any property constituting Collateral that (a) is sold or otherwise disposed of by a member of the Secured Group to any Person other than a member of the Secured Group (but excluding any transaction subject to Section 4.14 where the recipient is required to become the obligor on the Notes or a Guarantor) in a transaction permitted by this Indenture, at the time of such sale or disposition, to the extent of the interest sold or disposed of, (b) is owned or at any time acquired by a member of the Secured Group that has been released from its Guarantee under this Indenture, concurrently with the release of such Guarantee, or (c) consists of securities of a Guarantor of the Issuer to be released as contemplated by Section 4.18(c); or

(5) In accordance with and subject to the provisions of Article 9, with the consent of Holders of a majority in principal amount of the outstanding Notes or each Holder affected if required by Section 9.02(b)(ix) (including consents obtained in connection with a tender offer or exchange offer).

(b) If an instrument confirming the release of the First-Priority Liens pursuant to Section 11.04(a) is requested by the Issuer or a Guarantor, then upon

delivery to the Trustee of an Officers' Certificate requesting execution of such an instrument, accompanied by:

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

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

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

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

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

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

Section 11.05. *Filing, Recording and Opinions.*

(a) The Issuer shall comply with the provisions of TIA §313(b), and, following qualification of this Indenture pursuant to the TIA, if applicable, TIA §314(d). Any certificate or opinion required by TIA §314(d) may be made by an Officer of the Issuer except in cases where TIA §314(d) requires that such certificate or opinion be made by an independent engineer, appraiser or other expert, who shall be reasonably satisfactory to the Trustee. Notwithstanding anything to the contrary herein, the Issuer and the Guarantors shall not be required to comply with all or any portion of TIA §314(d) if they determine, in good faith based on advice of counsel (which may be internal counsel), that under the terms of that section and/or any interpretation or guidance as to the meaning thereof of the Commission and its staff, including "no action" letters or exemptive orders, all or any portion of TIA §314(d) is inapplicable to the released Collateral. Following the qualification of this Indenture pursuant to the TIA, to the extent the

Issuer is required to furnish to the Trustee an Opinion of Counsel pursuant to TIA §314(b)(2), the Issuer shall furnish such opinion prior to each December 3.

Any release of Collateral permitted by Section 11.04 hereof or the Security Documents will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver a certificate or opinion pursuant to Section 314(d) of the TIA or otherwise under this Indenture or the Security Documents, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and opinion.

(b) If any Collateral is released in accordance with this Indenture or any Security Document at a time when the Trustee is not itself also the Collateral Agent and if the Issuer has delivered the certificates and documents required by the Security Documents and permitted to be delivered by Section 11.04 (if any), the Trustee shall determine whether it has received all documentation required by TIA §314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 11.04, if any, shall, upon request, deliver a certificate to the Collateral Agent setting forth such determination.

ARTICLE 12

Release of Issuer

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

exceptions), until such time, if any, as such Guarantee may be released as described above under Section 4.19 and Article 6.

ARTICLE 13
Miscellaneous

Section 13.01. *Trust Indenture Act of 1939.* The Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act. To the extent permitted by applicable law, in the event of any inconsistency between the terms of the Notes and the terms of this Indenture, the terms of the Indenture shall control; *provided however* that provisions of TIA §314(b) and §314(d), in each case, shall not apply until qualification of this Indenture under the TIA.

Section 13.02. *Holder Communications; Holder Actions.* (a) The rights of Holders to communicate with other Holders with respect to this Indenture or the Notes are as provided by the Trust Indenture Act, and the Company and the Issuer shall comply with the requirements of Trust Indenture Act § 312(a). Neither the Company, the Issuer nor the Trustee shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an “**act**”) may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which shall be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

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

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

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

if to the Issuer or the Company:

K. Hovnanian Enterprises, Inc.
110 West Front Street
Box 500
Red Bank, NJ 07701
Facsimile: (732) 383-2945
Attention: General Counsel

if to the Trustee and/or Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

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

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder shall be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, shall be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder shall not affect its sufficiency with respect to other Holders.

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

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

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

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

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

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

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

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

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

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

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

Section 13.08. *No Adverse Interpretation of Other Agreements.* The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret this Indenture.

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

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

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

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

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

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

[Signature page follows]

SIGNATURES

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

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: /s/ David G. Valiaveedan

Name: David G. Valiaveedan

Title: Vice President Finance and Treasurer

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

By: /s/ David G. Valiaveedan

Name: David G. Valiaveedan

Title: Vice President Finance and Treasurer

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

By: /s/ David G. Valiaveedan

Name: David G. Valiaveedan

Title: Authorized Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Trustee and Collateral Agent

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Banking Officer

[Signature page to the Indenture]

GUARANTORSEXISTING 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.
GLENRISE GROVE, L.L.C.
GOVERNOR' S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNIANIAN LAND INVESTMENT GROUP, L.L.C.
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 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 BENSLEM, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FAIR OAKS, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY' S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HILLTOP, L.L.C.
K. HOVNANIAN AT HOWELL, L.L.C.
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT KING FARM, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC

K. HOVNIANIAN AT LA HABRA KNOLLS, LLC
K. HOVNIANIAN AT LA LAGUNA, L.L.C.
K. HOVNIANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 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 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 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 MUIRFIELD, LLC
K. HOVNIANIAN AT NEW WINDSOR, L.L.C.
K. HOVNIANIAN AT NORTH BERGEN, L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNIANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.
K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.

K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D' ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO 79, LLC
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C.
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SARATOGA, INC.
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CLIFFS, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC

K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT TROVATA, 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 PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES 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, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ESTATES AT REGENCY, 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 HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES – DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. 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 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 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 HEMET, LLC
K. HOVNIANIAN' S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNIANIAN' S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN' S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN' S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS, LLC
K. HOVNIANIAN' S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.

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MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
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, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

SECURED GROUP GUARANTORS:

HERITAGE PINES, LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.

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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.

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

[2.00%][5.00%] Senior Secured Notes Due 2021

CUSIP No.:

No. \$ _____

K. Hovnianian Enterprises, Inc., a California corporation (the “**Issuer**,” which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS (\$_____), [or such other amount as is provided in a schedule attached hereto]¹, on November 1, 2021.

Interest Rate: [2.00%][5.00%] per annum.

Interest Payment Dates: May 1 and November 1, commencing May 1, 2012.

Record Dates: April 15 and October 15.

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

¹ For Global Notes.

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

Dated: [_____], 2011

K. HOVNANIAN ENTERPRISES, INC.

By: _____

Name:

Title:

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[Form of] Trustee' s Certificate of Authentication

This is one of the [2.00%][5.00%] Senior Secured Notes Due 2021 described in the Indenture referred to in this Note.

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

[2.00%][5.00%] Senior Secured Notes Due 2021

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

1. *Two Series of Notes*

The Holders of the Notes of this series shall vote together as a single class with the Holders of the Issuer' s [2.00%][5.00%] Senior Secured Notes Due 2021 for all purposes under the Indenture.

2. *Principal and Interest.*

K. Hovnanian Enterprises, Inc. (the “**Issuer**,” which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay the principal of this Note on November 1, 2021.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of [2.00%][5.00%] per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the April 15 or October 15 immediately preceding the interest payment date) on each interest payment date, commencing May 1, 2012.

[The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated November 1, 2011, among the Issuer, the Guarantors party thereto and the Dealer Managers named therein (the “**Registration Rights Agreement**”). In the event of a Registration Default (as defined in the Registration Rights Agreement), the Holder shall be entitled to Additional Interest as specified in the Registration Rights Agreement until the Registration Default is cured.]²

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from November

2 For Initial Notes and Initial Additional Notes only.

1, 2011. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

3. *Paying Agent and Registrar.*

Initially, Wilmington Trust, National Association (the “**Trustee**”) will act as Paying Agent and Registrar. The Issuer may change or appoint any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act as Registrar, co-Registrar or (except for purposes of Article 8 of the Indenture) Paying Agent.

4. *Indenture; Guarantees.*

This is one of the Notes issued under an Indenture dated as of November 1, 2011 (as amended from time to time, the “**Indenture**”), among the Issuer, the Guarantors party thereto and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes of this series issued thereunder to \$[] but Additional Notes may be issued pursuant to the Indenture (subject to the conditions stated therein), and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon. Guarantees by Guarantors that are members of the Secured Group will be secured by Liens on the Collateral as described in the Indenture and the Security Documents.

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

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

The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to the sum of:

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

(ii) the greater of (A) 1% of the principal amount thereof and (B) the Make-Whole Amount.

The term “**Make-Whole Amount**” shall mean, in connection with any optional redemption of any Note and as determined by the Issuer in its sole discretion, the excess, if any, of:

(i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the redemption date) that would have been payable in respect of such dollar if such prepayment had not been made, determined by discounting, on a semiannual basis, such principal and interest at the 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*

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

At any time and from time to time prior to November 1, 2014, the Issuer may redeem Notes of this series with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to [102%][105%] 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 of this series (including Additional Notes of this series), *provided* that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the Notes of this series (including Additional Notes of this series) remains outstanding immediately thereafter.

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

No Notes of \$2,000 in original principal amount or less shall be redeemed in part. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

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

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 and Additional Interest, if any, 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. Discharge and Defeasance.

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

9. Registered Form; Denominations; Transfer; Exchange.

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

10. Persons Deemed Owners.

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

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 the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

12. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes, the Guarantees and the Security Documents may be amended or supplemented, or future compliance therewith may be waived with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company, the Issuer, the Guarantors and the Trustee, and with respect to the Security Documents, the Collateral Agent, may amend or supplement the Indenture, the Notes, the Guarantees or the Security Documents to, among other things, cure any ambiguity, defect or inconsistency or if such amendment or supplement does not adversely affect the legal rights of any Holder.

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 Trust Indenture Act), 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, the Company or the Guarantors shall not have any liability for any obligations of the Issuer, the Company or the Guarantors under the Notes, the Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

15. *Governing Law.*

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

16. *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.

17. *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.

18. *Abbreviations.*

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

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

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto
Insert Social Security or Taxpayer Identification No.

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

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

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

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

Signature Guarantee³: _____

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

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

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

Check One

9 (1) This Note is being transferred to a “qualified institutional buyer” in compliance with Rule 144A under the Securities Act of 1933, as amended, and certification in the form of Exhibit F to the Indenture is being furnished herewith.

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

or

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

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

Dated: _____

Transferor

Signed: _____

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

Signature Guarantee:4 _____

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

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

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OPTION OF HOLDER TO ELECT PURCHASE

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

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

\$ _____.

Date: _____

Your Signature: _____

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

Signature Guarantee:5 _____

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

SCHEDULE OF EXCHANGES OF INTERESTS IN GLOBAL NOTES⁶

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

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

[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the “**Guarantors**”) have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the “**Guarantee**”) (i) the due and punctual payment of the principal of and interest and Additional Interest, if any, on the Issuer’ s [2.00%][5.00%] Senior Secured Notes due 2021 (the “**Notes**”), whether at maturity or on an interest payment date, by acceleration or otherwise, on the Notes, to the extent lawful, and of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 6 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

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

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

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

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

EXISTING GUARANTORS:

HOVNIANIAN 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.
GLENRISE GROVE, L.L.C.
GOVERNOR' S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSALEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC

K. 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 ENCINITAS RANCH, LLC
K. HOVNIANIAN AT EVERGREEN, 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 GUTTENBERG, L.L.C.
K. HOVNIANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNIANIAN AT HAMBURG, L.L.C.
K. HOVNIANIAN AT HAWTHORNE, L.L.C.
K. HOVNIANIAN AT HERSHEY' S MILL, INC.
K. HOVNIANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNIANIAN AT HILLTOP, L.L.C.
K. HOVNIANIAN AT HOWELL, 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 LAKE RANCHO VIEJO, LLC
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LEE SQUARE, 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 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 MAHWAH VI, INC.

K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE, LLC
K. HOVNANIAN AT MONTVALE II, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D' ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNANIAN AT PITTSBURGH, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.

K. 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 SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C.
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SEASONS LANDING, LLC
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE, INC
K. HOVNIANIAN AT SOMERS POINT, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNIANIAN AT STANTON, LLC
K. HOVNIANIAN AT STATION SQUARE, L.L.C.
K. HOVNIANIAN AT SUNRIDGE PARK, LLC
K. HOVNIANIAN AT SYCAMORE, INC.
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 TROVATA, 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 PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.

K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES 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, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DELAWARE ACQUISITIONS, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ESTATES AT REGENCY, 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 HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES – DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. 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 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. HOVNANIAN T&C INVESTMENT, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN' S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT BAILEY' S GLENN, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN' S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT DULLES DISCOVERY CONDOMINIUM, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN' S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN' S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN' S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN' S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN' S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN' S FOUR SEASONS, LLC
K. HOVNANIAN' S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, 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.
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
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, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

SECURED GROUP GUARANTORS:

HERITAGE PINES, LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.

By: _____
Name:
Title: Authorized Officer

[This Guarantee relates to K. Hovnanian Enterprises, Inc.' s [2.00%][5.00%] Senior Secured Notes due 2021 – CUSIP No.: _____]
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SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

K. HOVNANIAN ENTERPRISES, INC.

HOVNANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

2.00% Senior Secured Notes Due 2021

5.00% Senior Secured Notes Due 2021

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

RECITALS

WHEREAS, the Issuer, Company, the other Guarantors party thereto and the Trustee entered into an indenture, dated as of November 1, 2011 (the “**Indenture**”), relating to the Issuer’s 2.00% Senior Secured Notes Due 2021 and its 5.00% Senior Secured Notes Due 2021 (the “**Notes**”);

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

AGREEMENT

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

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

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

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

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

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

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

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

[Signature pages follow]

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

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

By: _____
Name:
Title:
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RESTRICTED LEGEND

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

(1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”), (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER REGULATION D OF THE SECURITIES ACT (AN “IAI”),

(2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(d)(1) UNDER THE SECURITIES ACT (TAKING INTO ACCOUNT THE PROVISIONS OF RULE 144(d) UNDER THE SECURITIES ACT, IF APPLICABLE) AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER, THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB OR PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) IN COMPLIANCE WITH AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED THAT PRIOR TO SUCH TRANSFER, THE TRUSTEE IS FURNISHED WITH AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE AND PROVIDED THAT PRIOR TO SUCH TRANSFER, THE TRUSTEE IS FURNISHED WITH AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT), (F) TO AN IAI THAT,

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PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS SECURITY (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED (OTHER THAN A TRANSFER PURSUANT TO CLAUSE (2)(D) OR 2(E) ABOVE) A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY OR ANY INTEREST HEREIN WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING.

C-2

DTC LEGEND

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

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

Regulation S Certificate

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
[]% Senior Secured Notes due 2021 (the “Notes”)
Issued under the Indenture (the “Indenture”) dated as
of November 1, 2011 relating to the Notes

Dear Sirs:

Terms are used in this Certificate as used in Regulation S (“**Regulation S**”) under the Securities Act of 1933, as amended (the “**Securities Act**”), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE.]

G A. This Certificate relates to our proposed transfer of \$_____ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.

2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was

outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.
4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

- If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or [a Dealer Manager] [an Initial Purchaser] (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.
- 5.

- G B. This Certificate relates to our proposed exchange of \$ ____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the

facilities of a designated offshore securities market and we did not pre-arrange the transaction in the United States.

3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER
(FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

Rule 144A Certificate

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
[]% Senior Secured Notes due 2021 (the “Notes”)
Issued under the Indenture (the “Indenture”) dated as
of November 1, 2011 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

- G A. Our proposed purchase of \$____ principal amount of Notes issued under the Indenture.
- G B. Our proposed transfer or exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A (“**Rule 144A**”) under the Securities Act of 1933, as amended (the “**Securities Act**”). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

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You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR
OWNER (FOR EXCHANGES)]

By: _____

Name:

Title:

Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

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Institutional Accredited Investor Certificate

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
[]% Senior Secured Notes due 2021 (the “Notes”)
Issued under the Indenture (the “Indenture”) dated as
of November 1, 2011 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

- G A. Our proposed purchase of \$____ principal amount of Notes issued under the Indenture.
- G B. Our proposed purchase of \$____ principal amount of a beneficial interest in a Global Note
- G C. Our proposed transfer or exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) (an “Institutional Accredited Investor”).
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

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3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.

4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided*, that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.

6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Issuer and the Guarantors, on our own behalf and on behalf of each account for which we are acting, that we will not, within the time period referred to under Rule 144(d)(1) under the Securities Act (taking into account the provisions of Rule 144(d) under the Securities Act, if applicable) as in effect on the date of the transfer of this Note, resell or otherwise transfer this Note except (A) to the Issuer, the Company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB or purchasing for its own account or for the account of a QIB in compliance with Rule 144A under the Securities Act, (C) in compliance with an available exemption from the registration requirements of the Securities Act provided that prior to such transfer, the Trustee is furnished with an opinion of counsel acceptable to the Issuer that such transfer is in compliance with the Securities Act, (D) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available and provided that prior to such transfer, the Trustee is furnished with an opinion of counsel acceptable to the Issuer that such transfer is in compliance with the Securities Act), (F) to an IAI that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of this Note (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal

amount of Notes less than \$250,000, an opinion of counsel acceptable to the Issuer and the Trustee that such transfer is in compliance with the Securities Act or (G) pursuant to an effective registration statement under the Securities Act and, in each case, in accordance with applicable state securities laws.

Prior to the registration of any transfer or exchange, we acknowledge that the Issuer reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer or exchange any Notes acquired by us, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to deliver to each person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR
OWNER (FOR EXCHANGES)]

By: _____

Name:

Title:

Address:

Date: _____

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Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

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[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

Certificate of Beneficial Ownership

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR [Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.
[]% Senior Secured Notes due 2021 (the “Notes”)
Issued under the Indenture (the “**Indenture**”) dated as
as of November 1, 2011 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of \$____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

[CHECK A OR B AS APPLICABLE.]

G A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

G B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____

Name:

Title:

Address:

Date: _____

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[FORM II]

Certificate of Beneficial Ownership

Wilmington Trust, National Association
Rodney Square North
To: 1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Corporate Client Services

K. Hovnanian Enterprises, Inc.
Re: []% Senior Secured Notes due 2021 (the “Notes”)
Issued under the Indenture (the “**Indenture**”) dated as
as of November 1, 2011 relating to the Notes

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations (“**Member Organizations**”) appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, \$____ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of the
Euroclear System]

OR

[CLEARSTREAM BANKING, *société anonyme*]

By: _____

Name:

Title:

Address:

Date: _____

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THIS SECURITY IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR CERTIFICATED SECURITIES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

UNRESTRICTED SUBSIDIARIES

77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
 AG/HOV DELRAY HOLDINGS, L.L.C.
 COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
 FIRST MORTGAGE LENDERS OF FLORIDA, L.L.C.
 GTIS-HOV DULLES PARKWAY PARENT LLC
 GTIS-HOV FESTIVAL LAKES LLC
 GTIS-HOV GREENFIELD CROSSING PARENT LLC
 GTIS-HOV HOLDINGS LLC
 GTIS-HOV LEELAND STATION LLC
 GTIS-HOV POSITANO LLC
 GTIS-HOV RANCHO 79 LLC
 GTIS-HOV RESIDENCES AT DULLES PARKWAY LLC
 GTIS-HOV RESIDENCES AT GREENFIELD CROSSING LLC
 GTIS-HOV VILLAGES AT PEPPER MILL LLC
 GTIS-HOV WARMINSTER LLC
 HEXTER-FAIR LAND TITLE COMPANY I, INC.
 K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
 K. HOVNANIAN AMERICAN MORTGAGE, L.L.C.
 K. HOVNANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.
 K. HOVNANIAN AT DELRAY BEACH, L.L.C.
 K. HOVNANIAN AT MANALAPAN II, L.L.C.
 K. HOVNANIAN AT PHILADELPHIA I, L.L.C.
 K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.
 K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
 K. HOVNANIAN AT TRENTON II, L.L.C.
 K. HOVNANIAN AT TRENTON URBAN RENEWAL, L.L.C.
 K. HOVNANIAN GT INVESTMENT, L.L.C.
 K. HOVNANIAN INVESTMENTS, L.L.C.
 K. HOVNANIAN M.E. INVESTMENTS, LLC
 K. HOVNANIAN MANALAPAN INVESTMENT, L.L.C.
 K. HOVNANIAN NASSAU GROVE HOLDINGS, L.L.C.
 LAUREL HIGHLANDS, LLC
 M&M AT MONROE WOODS, L.L.C.
 MILLENNIUM TITLE AGENCY, LTD.
 MM-BEACHFRONT NORTH I, L.L.C.
 MM-BEACHFRONT NORTH II, L.L.C.
 MSHOV HOLDING COMPANY, L.L.C.
 NASSAU GROVE ENTERPRISES, L.L.C.
 NORTH MANATEE, L.L.C.
 OLD CITY DELAWARE, L.L.C.
 OLD CITY DEVELOPMENT, INC.
 OLD CITY JOINT DEVELOPMENT, L.L.C.
 PI INVESTMENTS I, L.L.C.
 PRESTON GRANDE HOMES, INC.
 PRESTON PARKER, L. P.

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.

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SECOND SUPPLEMENTAL INDENTURE

dated as of November 1, 2011

among

K. HOVNIANIAN ENTERPRISES, INC.

HOVNIANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST COMPANY

as Trustee

117/8% Senior Notes due 2015

THIS SECOND SUPPLEMENTAL INDENTURE (this “**Second Supplemental Indenture**”), is entered into as of November 1, 2011, among K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc. (“**Hovnanian**”), each of the guarantors listed on Schedule I hereto and Wilmington Trust Company, a Delaware chartered trust company, as trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Issuer, Hovnanian and the Trustee entered into the Indenture dated as of February 14, 2011 (the “**Base Indenture**”) as supplemented by a Supplemental Indenture thereto dated as of February 14, 2011 among the Issuer, Hovnanian, the other guarantors party thereto and the Trustee (the “**First Supplemental Indenture**” and together with the Base Indenture, the “**Indenture**”), relating to the Issuer’s 117/8% Senior Notes due 2015 (the “**Notes**”);

WHEREAS, Section 8.2 of the Base Indenture provides, among other things, that the Issuer and the Trustee may amend certain terms of the Indenture in respect of any series of securities issued thereunder with the written consent of the Holders (as defined in the Indenture) of not less than a majority in aggregate principal amount of the securities of such series then Outstanding (as defined in the Indenture);

WHEREAS, the Issuer has offered to exchange its securities of a new series of notes to be designated as 2.00% Senior Secured Notes due 2021 (the “**New Secured Notes**”) for any and all of the Notes issued and outstanding as of the date of the Offering Memorandum (as defined below), among other securities, and has solicited consents from Holders of the Notes to certain amendments to the Indenture (the “**Proposed Amendments**”) upon the terms and subject to the conditions set forth in the Issuer’s Confidential Offering Memorandum and Consent Solicitation Statement dated September 28, 2011 (as the same may be amended or supplemented from time to time, the “**Offering Memorandum**”) and in the related Letter of Transmittal and Consent (as the same may be amended and supplemented from time to time, and together with the Offering Memorandum, the “**Offer Material**”);

WHEREAS, the Issuer has obtained the written consent to the Proposed Amendments to the Indenture from the Holders of not less than a majority in aggregate principal amount of the Notes Outstanding;

WHEREAS, the Issuer has requested that the Trustee execute and deliver this Second Supplemental Indenture to effect the Proposed Amendments; and

WHEREAS, the execution and delivery of this Second Supplemental Indenture has been duly authorized by the parties thereto, and all conditions and requirements necessary to make this instrument a valid and binding agreement have been duly performed and complied with;

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. The following amendments shall automatically become effective upon issuance of the New Secured Notes in accordance with the terms and conditions set forth in the Offer Material:

- (a) The Table of Contents of the First Supplemental Indenture is amended by deleting the titles to Sections 3.04, 3.05, 3.06, 3.07, 3.08, 3.10, 3.11, 3.12 and 3.13 and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (b) Section 2.01 of the First Supplemental Indenture is amended by deleting from such Section those defined terms that, by virtue of the amendment effected by this Second Supplemental Indenture, are no longer used in the Indenture or Notes as amended hereby.
- (c) Section 3.04 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (d) Section 3.05 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (e) Section 3.06 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (f) Section 3.07 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (g) Section 3.08 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (h) Section 3.10 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (i) Section 3.11 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (j) Section 3.12 of the First Supplemental Indenture is amended by deleting the text of clauses (b) and (c) in their entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (k) Section 3.13 of the First Supplemental Indenture is amended by deleting the Section in its entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.
- (l) Section 4.01 of the First Supplemental Indenture is amended by deleting the text of clauses (v) and (vi) in their entirety and inserting in lieu thereof the phrase “[intentionally omitted]”.

(m) Section 5.01 of the First Supplemental Indenture is amended by deleting the last sentence of clause (c) in its entirety.

Section 3. This Second Supplemental Indenture shall be effective upon its execution and delivery by the parties hereto; *provided* that the amendments set forth in Section 2 hereof will not become operative until the issuance of the New Secured Notes in accordance with the terms and conditions set forth in the Offer Material.

Section 4. Except as expressly provided herein, all of the terms, provisions and conditions of the Indenture and the Notes shall remain in full force and effect.

Section 5. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 6. If any provision of this Second Supplemental Indenture limits, qualifies or conflicts with another provision of this Second Supplemental Indenture or the Indenture that is required to be included by the Trust Indenture Act of 1939 as in force at that date as of which this Second Supplemental Indenture is executed, the provision required by said Act shall control.

Section 7. This Second Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

Section 8. This Second Supplemental Indenture is an amendment supplemental to the Indenture (as amended and supplemented to the date hereof), and the Indenture and this Second Supplemental Indenture will henceforth be read together.

Section 9. 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.

Section 10. In case any provision in this Second Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

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

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: /s/ David G. Valiaveedan
Name: David G. Valiaveedan
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC., as
Guarantor

By: /s/ David G. Valiaveedan
Name: David G. Valiaveedan
Title: Vice President Finance and Treasurer

On behalf of each entity named in
Schedule 1 hereto, as Guarantors

By: /s/ David G. Valiaveedan
Name: David G. Valiaveedan
Title: Vice President Finance and Treasurer

WILMINGTON TRUST COMPANY
as Trustee

By: /s/ Joshua C. Jones
Name: Joshua C. Jones
Title: Financial Services Officer

SCHEDULE I

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.
GLENRISE GROVE, L.L.C.
GOVERNOR' S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF NEW JERSEY, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF NORTH CAROLINA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF VIRGINIA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, INC.
K. HOV IP, II, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSALEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC

K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FAIR OAKS, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY' S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HILLTOP, L.L.C.
K. HOVNANIAN AT HOWELL, L.L.C.
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.

K. HOVNANIAN AT KING FARM, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE, LLC
K. HOVNANIAN AT MONTVALE II, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D' ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO 79, LLC
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C.
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT ROWLAND HEIGHTS, LLC
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SARATOGA, INC.
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CLIFFS, LLC

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

K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ESTATES AT REGENCY, 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 HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES – DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 2, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC
K. 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 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 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 HEMET, LLC
K. HOVNIANIAN' S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNIANIAN' S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN' S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN' S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN' S FOUR SEASONS, LLC
K. HOVNIANIAN' S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF KENTUCKY, 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.
NEW LAND TITLE AGENCY, L.L.C.

PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE HIGHLANDS CONDOMINIUMS AT METROSQUARE, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
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, INC.
WH LAND I, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

FIRST LIEN PLEDGE AGREEMENT

THIS FIRST LIEN PLEDGE AGREEMENT, dated as of November 1, 2011 (as restated, amended, modified or supplemented from time to time, the “Agreement”), is given by **K. HOVNANIAN JV HOLDINGS, L.L.C. (“JV HOLDINGS”), HERITAGE PINES, LLC, K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C., K. HOVNANIAN JV SERVICES COMPANY, L.L.C., K. HOVNANIAN HOVWEST HOLDINGS, L.L.C. AND HOVWEST LAND ACQUISITION, LLC AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (each a “Pledgor” and collectively the “Pledgors”), as a Pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST, NATIONAL ASSOCIATION**, in its capacity as collateral agent, for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below) (the “Collateral Agent”).

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”) and each of the other guarantors party thereto (including the Initial Grantors) have entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, a national banking association, as trustee (in such capacity, the “**Trustee**”) and as Collateral Agent, pursuant to which the Issuer has issued, and may from time to time issue, its (i) 2.00% Senior Secured Notes due 2021 (the “**2.00% Notes**”) and (ii) 5.00% Senior Secured Notes due 2021 (the “**5.00% Notes**”, and, together with the 2.00% Notes, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the Indenture, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Indenture and the Secured Notes;

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer’s parent company, and each Pledgor; and

WHEREAS, the Issuer and the Pledgors are engaged in related businesses, and each Pledgor will derive substantial direct and indirect benefit from the issuance of the Secured Notes.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Indenture. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform Commercial Code as enacted in the State of New York, as amended from time to time (the “Code”), and are not otherwise defined herein or in the Indenture shall have the same meanings herein as set forth therein.

(b) “Collateral Agency Agreement” shall have the meaning ascribed to such term in the Security Agreement.

(c) “Company” shall mean individually each Restricted Subsidiary of JV Holdings, including, without limitation, each of the entities listed on Schedule A hereto and “Companies” shall mean collectively, all Restricted Subsidiaries of JV Holdings, including, without limitation, each of the entities listed on Schedule A hereto.

(d) “Law” shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(e) “Noteholder” shall mean “Holder” or “Holder of Notes” as defined in the Indenture.

(f) “Noteholder Collateral Document” shall mean any agreement, document or instrument pursuant to which a Lien is granted by any Pledgor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time

(g) “Noteholder Document” shall mean collectively (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(h) “Official Body” shall mean any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(i) “Pledged Collateral” shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, and (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock, investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of any Pledgor that are not otherwise required to be filed, then the capital stock or other securities of such Pledgor shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder upon the Collateral Agent’s receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien

created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(j) “Secured Obligations” shall mean and include all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney’ s fees.

(k) “Security Agreement” shall mean the first lien security agreement dated as of the date hereof among the Pledgors and the Collateral Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

2. Grant of Security Interests.

(a) To secure on a first priority perfected basis the payment and performance of all Secured Obligations, in full, each Pledgor hereby grants to the Collateral Agent a continuing first priority security interest under the Code in and hereby pledges to Collateral Agent, in each case for its benefit and the benefit of the Trustee and each Noteholder and their respective Affiliates, all of such Pledgor’ s now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located.

(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to and deposit with the Collateral Agent (or with a Person designated by Collateral Agent to hold the Pledged Collateral on behalf of Collateral Agent) in pledge, all of such Pledgor’ s certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to and deposit with the Collateral Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Collateral Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the “Security Documents”) as may be required under applicable law to perfect and continue perfected and to create and maintain the first priority status of the Collateral Agent’ s security interest in the Pledged Collateral and to fully consummate the transactions contemplated under this Agreement. Each Pledgor authorizes (but does not obligate) the Collateral Agent to record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and any of the Collateral Agent’ s officers or employees or agents designated by the Collateral Agent) as such Pledgor’ s true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfected the Collateral Agent’ s security interest in the Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Collateral Agent as follows:

- (a) The Pledged Collateral of such Pledgor does not include Margin Stock. “Margin Stock” as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;
- (b) Such Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;
- (c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;
- (d) Upon the completion of the filings and other actions specified on Schedule C attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be valid, perfected and of first priority, subject to the Lien of no other Person (other than a Permitted Liens);
- (e) There are no restrictions upon the transfer of the Pledged Collateral and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than a Permitted Liens) and without obtaining the consent of any other Person;
- (f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;
- (g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors’ rights generally or limiting the right of specific performance;
- (h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;
- (i) Each Pledgor’ s exact legal name is as set forth on such Pledgor’ s signature page hereto;
- (j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth in the Perfection Certificate;
- (k) Such Pledgor’ s chief executive office is as set forth in the Perfection Certificate; and
- (l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the

Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor's rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a "security" within the meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies; and none of the limited liability company interests or partnership interest constituting Pledged Collateral is represented by a certificate, except with respect to the Companies as set forth on Schedule B attached hereto.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Collateral Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor's title to, or the Collateral Agent's interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Collateral Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Collateral Agent's security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Collateral Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Collateral Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement as the Collateral Agent may request related thereto;

(e) Each Pledgor shall notify the Collateral Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) Subject to Section 4(l) hereof, during the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such

securities are immediately delivered to the Collateral Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof, and an updated Schedule B hereto.

6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Collateral Agent, at its option and at the expense of the Pledgors, may, subject to any Collateral Agency Agreement, (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Collateral Agent or any Affiliate of the Collateral Agent, on deposit or otherwise, belonging to any Pledgor, as the Collateral Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Collateral Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Noteholder Documents, the following rights and remedies, in each case subject to any Collateral Agency Agreement:

(a) The Collateral Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Collateral Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall, after the Collateral Agent has made all deductions of expenses, including but not limited to attorneys' fees (including the allocated costs of staff counsel) and other expenses incurred in connection with repossession, collection, sale or disposition of such Pledged Collateral or in connection with the enforcement of the Collateral Agent's rights with respect to the Pledged Collateral, including in any insolvency, bankruptcy or reorganization proceedings, be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in Section 5.05 of the Indenture.

8. Collateral Agent's Duties.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest (on behalf of itself, the Trustee and the Noteholders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Restricted Subsidiaries of JV Holdings, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Restricted Subsidiaries of JV Holdings may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Collateral Agent a Supplemental Indenture (in the form of Exhibit B to the Indenture) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Collateral Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Noteholder Documents or by Law, rule or regulation and the Collateral Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Collateral Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Collateral Agent's power.

11. Waivers; Consents.

(a) Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Noteholder Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Issuer or any other Person to comply with any Noteholder Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured

Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Issuer or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Issuer or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Issuer, or any other Person of any other right or remedy under or in connection with any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Collateral Agent, the Trustee, the Noteholders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Noteholder Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Collateral Agent, the Trustee or the Noteholders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Collateral Agent, the Trustee or the Noteholders to seek a deficiency against the Issuer or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

(b) Each Pledgor (in its capacity as a Pledgor and, if applicable, in its capacity as a Company) hereby consents to the pledge of the Pledged Collateral to the Collateral Agent as contemplated hereby.

12. Assignment.

All rights of the Collateral Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein, and any such purported assignment or transfer shall be null and void.

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, “notices”) given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 13.03 of the Indenture, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Collateral Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Collateral Agent hereunder and under the other Noteholder Documents, because the Collateral Agent’s remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Collateral Agent’s rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Collateral Agent its attorney-in-fact, and (v) to enforce the Collateral Agent’s remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Indenture, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Noteholder Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent, the Trustee and the Noteholders for the benefit of itself and the Noteholders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the provisions of any Collateral Agency Agreement, the Collateral Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise by Collateral Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Collateral Agent’s rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as expressly permitted by the Indenture; or (ii) to enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral without the Collateral Agent’s prior written consent.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and, if applicable, as a Company) and each of the Companies (i) hereby irrevocably submits to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court for the Southern District of New York, or any successor to said court (hereinafter referred to as the “New York Courts”) for purposes of any suit, action or other proceeding which relates to this Agreement or any other Noteholder Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New York Courts, that such suit, action or proceeding is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or any Noteholder Document may not be enforced in or by the New York Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New York Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New York Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 15 hereof and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit the Collateral Agent’s, Trustee’s or any Noteholder’s right to bring any suit, action or other proceeding against any Pledgor or any of any Pledgor’s assets or to serve process on any Pledgor by any means authorized by Law.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND, IF APPLICABLE, AS A COMPANY), EACH OF THE COMPANIES AND THE COLLATERAL AGENT, ON BEHALF OF ITSELF, THE TRUSTEE AND THE NOTEHOLDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

20. Entire Agreement; Additional Pledgors; Amendments.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Collateral Agent.

(b) At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Trustee and the Noteholders, additional Persons may become parties to this Agreement and thereby acquire the duties and rights of being Pledgors hereunder by executing and delivering to the Collateral Agent a Joinder Agreement pursuant to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor and each Pledgor hereby consents thereto.

(c) Except as expressly provided in (i) Section 5(f) with respect to certificated securities issued by Companies that are limited liability companies or limited partnerships, (ii) in Section 9 with respect to additional Pledgors, (iii) in Section 21 with respect to the release of Pledgors and Companies, and (iv) Section 8.1 of the Security Agreement with respect to reflecting the incurrence of Additional Secured Obligations (as defined in the Security Agreement) and the granting of Additional Pari Passu Liens (as defined in the Security Agreement), this Agreement may not be amended or supplemented except by a writing signed by the Collateral Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Pledgors and their respective Pledged Collateral and the Companies may be released from this Agreement in accordance with and pursuant to Section 11.04 of the Indenture. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Telecopy Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Collateral Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the Indenture apply to this Agreement.

24. Collateral Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indenture. Notwithstanding anything to the contrary contained herein, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office).

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Joshua C. Jones _____

Name: Joshua C. Jones

Title: Banking Officer

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Pledgors:

K. HOVNANIAN JV HOLDINGS, L.L.C.

HERITAGE PINES, LLC

K. HOVNANIAN AT COBBLESTONE SQUARE
CONDOMINIUMS, L.L.C.

K. HOVNANIAN JV SERVICES COMPANY, L.L.C.

K. HOVNANIAN HOVWEST HOLDINGS. L.L.C.

HOVWEST LAND ACQUISITION, LLC

By: /s/ David G. Valiaveedan

Name: David G. Valiaveedan

Title: Vice President Finance and Treasurer

**SCHEDULE A
TO
PLEDGE AGREEMENT**

Heritage Pines, LLC

K. Hovnanian at Cobblestone Square Condominiums, L.L.C.

K. Hovnanian JV Services Company, L.L.C.

K. Hovnanian HovWest Holdings, L.L.C.

HovWest Land Acquisition, LLC

**SCHEDULE B
TO
PLEDGE AGREEMENT**

None.

SCHEDULE C

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of California, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the California Secretary of State.
2. With respect to each Pledgor organized under the laws of the state of Delaware, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Delaware Secretary of State.
3. With respect to each Pledgor organized under the laws of the state of North Carolina, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the North Carolina Secretary of State.
4. With respect to each Pledgor organized under the laws of the state of Virginia, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Virginia State Corporation Commission.

FIRST LIEN SECURITY AGREEMENT

made by

**K. HOVNANIAN JV HOLDINGS, L.L.C.
HERITAGE PINES, LLC
K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
HOVWEST LAND ACQUISITION, LLC**

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Collateral Agent

Dated as of November 1, 2011

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FIRST LIEN SECURITY AGREEMENT

THIS FIRST LIEN SECURITY AGREEMENT (the “**Agreement**”), dated as of November 1, 2011, is made by K. Hovnanian JV Holdings, L.L.C. (“**JV Holdings**”), Heritage Pines, LLC, K. Hovnanian at Cobblestone Square Condominiums, L.L.C., K. Hovnanian JV Services Company, L.L.C., K. Hovnanian HovWest Holdings, L.L.C. and HovWest Land Acquisition, LLC (the “**Initial Grantors**”; and the Initial Grantors, together with any other entity (other than the Agent or its successors) that may become a party hereto as provided herein, the “**Grantors**”), in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

W I T N E S S E T H:

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”) and each of the other guarantors party thereto (including the Initial Grantors) have entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, a national banking association, as trustee (in such capacity, the “**Trustee**”) and as Collateral Agent, pursuant to which the Issuer has issued, and may from time to time issue, its (i) 2.00% Senior Secured Notes due 2021 (the “**2.00% Notes**”) and (ii) 5.00% Senior Secured Notes due 2021 (the “**5.00% Notes**” and, together with the 2.00% Notes, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer’s parent company, and each Grantor;

WHEREAS, the Issuer and the Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

NOW, THEREFORE, in consideration of the premises and to induce Noteholders to purchase Secured Notes, each Grantor hereby agrees with the Agent, for the ratable benefit of the Secured Parties, as follows:

ARTICLE 1 Defined Terms

Section 1.01. *Definitions.* (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Indenture and

used herein shall have the meanings respectively given to them in the Indenture, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(b) The following terms shall have the following meanings:

“Additional Pari Passu Liens”: any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by clauses (a)(ii) or (a)(iii) of the definition of Permitted Collateral Liens in the Indenture.

“Additional Pari Passu Collateral Agent”: the agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

“Additional Secured Obligations”: any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Secured Notes pursuant to clauses (a)(ii) or (a)(iii) of the definition of Permitted Collateral Liens in the Indenture (including for the avoidance of doubt any guarantees with respect thereto).

“Agreement”: this Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Cash Equivalents”: (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating of A-1 or better by Standard & Poor’ s or by Moody’ s or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clause (i) and (ii).

“Collateral”: as defined in Article 2.

“Collateral Agency Agreement”: an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Agent on terms reasonably satisfactory to the Agent, the Issuer and Hovnanian, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and providing, among other things, that (x) the Additional Pari Passu Liens shall rank equally with the liens securing the Secured Obligations, (y) any proceeds of the Collateral shall be applied ratably to the Secured Obligations and the Additional Secured Obligations and (z) the Agent, including at the direction of the Noteholders, shall be entitled to take such actions, or to direct any agent appointed pursuant to the Collateral Agency Agreement to take such actions, as are permitted hereby and by the Indenture independently of any direction or vote of the holders of the Additional Secured Obligations.

“Contracts”: any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

“Collateral Account”: any collateral account established by the Agent as provided in Section 6.01 or 6.03.

“Copyright Licenses”: any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

“Copyrights”: (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

“Deposit Accounts”: the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

“Excluded Accounts” shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average

monthly balance (over the most recent ended 3-month period) less than \$250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of \$500,000 in the aggregate and (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements).

“Intellectual Property”: the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Investment Property”: the collective reference to (i) all “investment property” as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting “investment property” as so defined, all Pledged Notes.

“Issuers”: the collective reference to each issuer of any Investment Property.

“Law”: any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

“New York UCC”: the Uniform Commercial Code as from time to time in effect in the State of New York.

“Noteholder”: “Holder” or “Holder of Notes” as defined in the Indenture.

“Noteholder Collateral Document”: any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

“Noteholder Document”: collectively, (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

“Official Body”: any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

“Patent License”: all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

“Patents”: (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

“Perfection Certificate”: with respect to any Grantor, a certificate substantially in the form of Schedule B, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

“Pledged Notes”: all promissory notes issued to or held by any Grantor.

“Proceeds”: all “proceeds” as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

“Receivable”: any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

“Secured Obligations”: all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney’ s fees.

“Secured Parties”: the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

“Securities Accounts”: the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

“Trademark License”: any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

“Trademarks”: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

“Vehicles”: all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions.*

(a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

ARTICLE 2
Grant of Security Interest

Each Grantor hereby grants to the Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the **“Collateral”**), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

(a) all Accounts;

(b) all Chattel Paper (including, Electronic Chattel Paper);

(c) all Commercial Tort Claims (including those claims listed on Schedule A hereto, in which the claim amount individually exceeds \$2,000,000, as such schedule is amended or supplemented from time to time);

(d) all Contracts;

(e) all Securities Accounts;

(f) all Deposit Accounts;

(g) all Documents (other than title documents with respect to vehicles);

(h) all Equipment;

(i) all Fixtures;

(j) all General Intangibles;

(k) all Goods;

(l) all Instruments;

(m) all Intellectual Property;

(n) all Inventory;

(o) all Investment Property;

(p) all letters of credit;

(q) all Letter of Credit Rights;

(r) all Payment Intangibles;

(s) all Vehicles and title documents with respect to Vehicles;

(t) all Receivables;

(u) all Software;

(v) all Supporting Obligations;

(w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;

(x) all books and records pertaining to any of the Collateral; and

(y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" in the Indenture or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement governing such Investment Property, or Pledged Note, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of any Grantor, then the capital stock or other securities of such Grantor, shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified,

without the consent of any Noteholder, upon the Agent' s receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3 Representations and Warranties

To induce the Noteholders to purchase the Secured Notes, each Grantor hereby represents and warrants to the Agent and each other Secured Party that:

Section 3.01. *Title; No Other Liens.* Except for the security interest granted to the Agent for the ratable benefit of the Secured Parties pursuant to this Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except with respect to Permitted Liens.

Section 3.02. *Perfected First Priority Liens.* The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule C by the Grantors (which, in the case of all filings and other documents referred to on said Schedule, have been delivered, or will be delivered within the time periods set forth in Schedule C, to the Agent in completed form) will constitute valid perfected (to the extent such security interest can be perfected by such filings or actions) security interests in all of the Collateral in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office.* On the date hereof, such Grantor' s exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor' s chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products.* None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property.* Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it

hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables*. No amount payable in excess of \$1,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

ARTICLE 4
Covenants

Each Grantor covenants and agrees with the Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation*. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds \$2,000,000, such Grantor shall promptly notify the Agent in a writing signed by such Grantor of the details thereof and grant to the Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule A hereto.

Section 4.02. *Changes In Name, Etc.* Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper.* If any amount in excess of \$1,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Agent, duly indorsed, to be held as Collateral pursuant to this Agreement.

Section 4.04. *Intellectual Property.* (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Agent on or before the date upon which Hovnanian is required to file reports with the Trustee pursuant to Section 4.15 of the Indenture for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby.

(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Intellectual Property Security Agreement attached hereto as Exhibit A.

ARTICLE 5

Investing Amounts in the Securities Accounts

Section 5.01. *Investments.* If requested by any Grantor in writing, the Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest, in Cash Equivalents pursuant to the written instructions of any Grantor. All investments may be made in the name of the Agent or a nominee of the Agent and in a manner that preserves such Grantor's ownership of, and the Agent's perfected first priority Lien on, such investments (it being understood that the Grantors shall be responsible for ensuring the preservation of the Agent's perfected first priority Lien). All income received from such investments shall accrue for the benefit of the applicable Grantor and shall be credited (promptly upon receipt by the Agent) to a Deposit

Account or Securities Account, in which Agent for the benefit of the Secured Parties holds a first priority, perfected security interest. The Grantors will only direct the Agent to make investments in which the Agent can obtain a first priority, perfected security interest, and each Grantor hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability.* The Agent shall have no responsibility to the Issuer or any Grantor for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority perfected security interest (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Agent' s gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

ARTICLE 6 Remedial Provisions

Section 6.01. *Certain Matters Relating to Receivables.*

(a) At any time during the continuance of an Event of Default, the Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Agent may require in connection with such test verifications. The Agent shall endeavor to provide the Issuer with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Agent' s rights hereunder.

(b) The Agent hereby authorizes each Grantor to collect such Grantor' s Receivables and the Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. If requested in writing by the Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Agent if required, in a Collateral Account maintained under the sole dominion and control of the Agent, subject to withdrawal by the Agent for the account of the Secured Parties only as provided in Section 6.04, and (ii) until so turned over, shall be held

by such Grantor in trust for the Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) At the Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable.*

(a) The Agent in its own name or in the name of others may after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Upon the written request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating thereto, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Agent.* In addition to the rights of the Agent and the Secured Parties specified in Section 6.01 with respect

to payments of Receivables, if an Event of Default shall occur and be continuing, upon written request from the Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if requested). All Proceeds received by the Agent hereunder shall be held by the Agent in a Collateral Account maintained under its sole dominion and control. All such Proceeds while held by the Agent in a Collateral Account (or by such Grantor in trust for the Agent and the Secured Parties) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds.* If an Event of Default shall have occurred and be continuing, at any time at the Agent's election, subject to any Collateral Agency Agreement, the Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other Collateral Account, first to the payment of all reasonable costs and expenses of every kind incurred by the Agent in connection with the sale, care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys fees and disbursements, and then in payment of the Secured Obligations in the order set forth in Section 5.05 of the Indenture.

Section 6.05. *Code and Other Remedies.* If an Event of Default shall occur and be continuing, the Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent shall endeavor to provide the applicable Grantor with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise

or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.05, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as required by Section 5.05 of the Indenture, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

Section 6.06. *Subordination.* Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Agent, all Indebtedness owing to it by the Issuer or any Subsidiary of the Issuer shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency.* Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent or any Secured Party to collect such deficiency.

ARTICLE 7 The Agent

Section 7.01. *Agent's Appointment as Attorney-in-fact, Etc.* (a) Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such

Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E)

defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as the Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate on the 5.00% Notes (or, if no 5.00% Notes are outstanding at such time, the 2.00% Notes), from the date when due to the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent upon not less than five (5) Business Days notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Agent.* The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon

any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Secured Parties hereunder are solely to protect the Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Agent or any Secured Party to exercise any such powers. The Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements.* Pursuant to any applicable law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as is required by applicable law to perfect the security interests of the Agent under this Agreement. Each Grantor authorizes the Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Agent.* Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Agent and the Secured Parties, be governed by the Indenture and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantors, the Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8 Miscellaneous

Section 8.01. *Amendments in Writing.* None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Indenture. For the avoidance of doubt, the Issuer and the Agent may, without the need to obtain the consent of the Noteholders, amend, supplement or otherwise modify any provision hereof or of any other Noteholder Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) to reflect and give effect to the matters referred to in the definition of Collateral Agency

Agreement in connection with the incurrence of Additional Secured Obligations and the granting of Additional Pari Passu Liens, to the extent such incurrence or grant is permitted by, and in accordance with, the Indenture (which shall be established by and stated in an Officer's Certificate and Opinion of Counsel which the Agent shall be entitled to receive prior to entering into any such amendment).

Section 8.02. *Notices.* All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.03 the Indenture.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies.* Neither the Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification.* (a) Each Grantor agrees to pay or reimburse each Secured Party and the Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Noteholder Documents to which such Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Agent and the Secured Parties.

(b) Each Grantor agrees to pay, indemnify against and to save the Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement,

performance and administration of this Agreement to the extent the Issuer would be required to do so pursuant to Section 7.07 of the Indenture except those resulting from the Agent' s or any Secured Party' s willful misconduct or gross negligence.

(d) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations and termination of the Noteholder Documents and the resignation or removal of the Agent.

Section 8.05. *Successors and Assigns*. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Indenture, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

Section 8.06. *Set-off*. Each Grantor hereby irrevocably authorizes the Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or such other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Agent or such other Secured Party hereunder and claims of every nature and description of the Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Indenture or any other Noteholder Document, as the Agent or such other Secured Party may elect, whether or not the Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each other Secured Party shall endeavor to notify the Issuer promptly of any such set-off and the application made by the Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such other Secured Party may have.

Section 8.07. *Counterparts*. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability*. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings*. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration*. This Agreement and the other Noteholder Documents represent the agreement of the Grantors, the Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Noteholder Documents.

Section 8.11. *Governing Law*. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers*. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgements.* Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Noteholder Documents to which it is a party;

(b) neither the Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Noteholder Documents, and the relationship between the Grantors, on the one hand, and the Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Noteholder Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties;

(d) the Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as Agent may desire; and the Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors.* Each Restricted Subsidiary of JV Holdings shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases.* (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(b) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 11.04 of the Indenture.

Section 8.16. *Waiver of Jury Trial.* EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *Control Agreements.* In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.18. *Agent Privileges, Powers and Immunities.* In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indenture. Notwithstanding anything to the contrary contained herein, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office).

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IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Agent

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Banking Officer

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Initial Grantors:

K. HOVNANIAN JV HOLDINGS, L.L.C.

HERITAGE PINES, LLC

K. HOVNANIAN AT COBBLESTONE SQUARE
CONDOMINIUMS, L.L.C.

K. HOVNANIAN JV SERVICES COMPANY, L.L.C.

K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.

HOVWEST LAND ACQUISITION, LLC

By: /s/ David G. Valiaveedan

Name: David G. Valiaveedan

Title: Vice President Finance and Treasurer

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SCHEDULE A
COMMERCIAL TORT CLAIMS

None.

SCHEDULE B

FORM OF PERFECTION CERTIFICATE

The undersigned is a duly authorized officer of each of the entities listed on Schedule 1 hereto (each such entity, a “**Grantor**”). With reference to the First Lien Security Agreement dated as of November 1, 2011 among K. Hovnanian JV Holdings, L.L.C., Heritage Pines, LLC, K. Hovnanian at Cobblestone Square Condominiums, L.L.C., K. Hovnanian JV Services Company, L.L.C., K. Hovnanian HovWest Holdings, L.L.C. and HovWest Land Acquisition, LLC, in favor of Wilmington Trust, National Association, as Collateral Agent (terms defined therein being used herein as therein defined), each of the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

1. *Names.* The exact legal name of each Grantor (as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational documents), the type of entity, the jurisdiction of organization (or formation, as applicable) and the organizational identification number for each Grantor is set forth in Schedule 1 hereto.

2. *Lien Search Grantors.* (a) Set forth on Schedule 2(a) is the name of each Grantor and the county in which each Grantor’s chief executive office is located, if such office is not located at 110 West Front Street, P.O. Box 500 , Red Bank, New Jersey 07701, as applicable.

(b) Set forth in Schedule 2(b) hereto is each other corporate name (including trade names or similar appellations) each Grantor has had in the last five years, together with the date of the relevant change.

(c) Except as set forth in Schedule 2(c) hereto, no Grantor has changed its identity or corporate structure in any way within the past five years.

3. *UCC Filings.* In order to perfect the Liens granted by each Grantor, a duly completed financing statement on Form UCC-1, with the collateral described as set forth on Schedule 3 hereto, has been filed in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 1 above, as applicable.

4. *Deposit Accounts and Securities Accounts.* Set forth as Schedule 4 hereto is a true and complete list of all Deposit Accounts and Securities Accounts maintained by each Grantor, including the name of each institution where each such account is held, the name of each Grantor that holds each account and the balance of each account as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of _____, 2011.

GRANTORS (as listed on Schedule 1)

By: _____
Name:
Title:

SCHEDULE C

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of California, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the California Secretary of State.
2. With respect to each Grantor organized under the laws of the state of Delaware, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Delaware Secretary of State.
3. With respect to each Grantor organized under the laws of the state of North Carolina, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the North Carolina Secretary of State.
4. With respect to each Grantor organized under the laws of the state of Virginia, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Virginia State Corporation Commission.

EXHIBIT A

Form of Intellectual Property Security Agreement

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (the “**Agreement**”), dated as of November 1, 2011 is made by [_____], a [_____] (the “**Grantor**”) in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”) and each of the other guarantors party thereto (including the Grantor) have entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, a national banking association, as trustee (in such capacity, the “**Trustee**”) and as Collateral Agent, pursuant to which the Issuer has issued, and may from time to time issue, its (i) 2.00% Senior Secured Notes due 2021 (the “**2.00% Notes**”) and (ii) 5.00% Senior Secured Notes due 2021 (the “**5.00% Notes**” and, together with the 2.00% Notes, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer’s parent company, and each Grantor;

WHEREAS, the Issuer and the Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes;

WHEREAS, pursuant to and under the Indenture and the First Lien Security Agreement dated as of November 1, 2011 (the “**Security Agreement**”) among the Initial Grantors party thereto (together with any other entity that may become a party thereto) and the Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Agent in certain Patents, Trademarks, Copyrights and other Intellectual Property as security for such loans and other obligations as more fully described herein; and

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, (i) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (ii) the rules of construction set forth in Section 1.02 of the Indenture shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the “Code”).

(b) “**Copyright Licenses**” shall mean any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright, including, without limitation, any of the foregoing referred to in Schedule A.

(c) “**Copyrights**” shall mean (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(d) “**Intellectual Property**” shall mean the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

(e) “**Patent License**” shall mean all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule A.

(f) “**Patents**” shall mean (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, including, without limitation, any of the foregoing referred to in Schedule A, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule A, and (iii) all rights to obtain any reissues or extensions of the foregoing.

(g) “**Secured Obligations**” shall mean all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees (as defined in the Indenture) and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney’ s fees.

(h) “**Secured Parties**” shall mean the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

(i) “**Trademarks**” shall mean (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(j) “**Trademark License**” shall mean any written agreement providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule A.

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Agent a security interest in the entire right, title and interest of such Grantor in and to all of its Intellectual Property; *provided, however*, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Agent’ s Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law

including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States “intent-to-use” trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such “intent-to-use” trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at the Grantor’s reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer’s Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except as permitted pursuant to this Agreement or as permitted by the Indenture;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with the Grantor’s obligations under this Agreement, without the Agent’s prior written consent which shall not be unreasonably withheld except that the Grantor may license technology in the ordinary course of business without the Agent’s consent to suppliers and customers to facilitate the manufacture and use of the Grantor’s products.

5. Agent shall have, in addition to all other rights and remedies given it by this Agreement and those rights and remedies set forth in the Security Agreement and the Indenture, those allowed by applicable Law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Intellectual Property may be located and, without

limiting the generality of the foregoing, solely if an Event of Default has occurred and is continuing, Agent may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in a city that the Agent shall designate by notice to the Grantor, in Pittsburgh, Pennsylvania or elsewhere, the whole or from time to time any part of the Intellectual Property, or any interest which the Grantor may have therein and, after deducting from the proceeds of sale or other disposition of the Intellectual Property all expenses (including fees and expenses for brokers and attorneys), shall apply the remainder of such proceeds toward the payment of the Secured Obligations as the Agent, in its sole discretion, shall determine. Any remainder of the proceeds after payment in full of the Secured Obligations shall be paid over to the Grantor. Notice of any sale or other disposition of the Intellectual Property shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property is to be made, which the Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, Agent may, to the extent permissible under applicable Law, purchase the whole or any part of the Intellectual Property sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of remedies in the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder.

6. All of Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indenture or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

7. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

8. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties, provided, however, that except as permitted by the Indenture, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

9. This Agreement and the rights and obligations of the parties under this agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

10. The Grantor (i) hereby irrevocably submits to the nonexclusive general jurisdiction of the courts of the State of New York and the courts of the United States of America for the Southern District of New York, or any successor to said court (hereinafter referred to as the "New York Courts") for purposes of any suit, action or other proceeding which relates to this Agreement or any other Noteholder Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New York Courts, that such suit, action or proceeding is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or any Noteholder Document may not be enforced in or by the New York Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New York Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New York Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 13 hereof or at such other address of which the Agent shall have been notified pursuant thereto and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Secured Party's right to bring any suit, action or other proceeding against the Grantor or any of any of the Grantor's assets or to serve process on the Grantor by any means authorized by Law.

11. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13. All notices, requests and demands to or upon the Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the Indenture.

14. In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the privileges, powers and immunities afforded to it

as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in the Security Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indenture. Notwithstanding anything to the contrary contained herein, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office).

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, each of the undersigned has caused this Intellectual Property Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Collateral Agent

By: _____

Name:

Title:

Grantor:

[Name of Grantor]

By: _____

Name:

Title:

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EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the “**New Grantor**”).

Reference is made to (i) the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “Indenture”) between the K. Hovnanian Enterprises, Inc., a California corporation (“Issuer”), Hovnanian Enterprises, Inc., a Delaware corporation (“Hovnanian”), each of the other Guarantors party thereto and Wilmington Trust, National Association, a Delaware banking corporation, as trustee (in such capacity, the “Trustee”) and as Collateral Agent, pursuant to which the Issuer has issued, and may from time to time issue, its (A) 2.0% Senior Secured Notes due 2021 and (B) 5.00% Senior Secured Notes due 2021 (A) and (B) (collectively, the “Secured Notes”), (ii) the Supplemental Indenture dated [] pursuant to which the New Grantor became party to the Indenture as a Guarantor, (iii) the First Lien Security Agreement by each of the Grantors (as defined therein) in favor of the Collateral Agent (in such capacity, the “Agent”) for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the “Security Agreement”) and (iv) the First Lien Pledge Agreement by each of the Pledgors (as defined therein) in favor of the Agent for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the “Pledge Agreement”). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of Issuer under the Noteholder Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, and each of the other Noteholder Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Agent the Security Agreement, the Pledge Agreement and each of the other Noteholder Documents given by the Grantors to the Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the

provisions and purposes of this Joinder Agreement.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]

By: _____
Title:

HOVNIANIAN ENTERPRISES, INC.

News Release

Contact: J. Larry Sorsby
Executive Vice President & CFO
732-747-7800

Jeffrey T. O' Keefe
Vice President, Investor Relations
732-747-7800

**HOVNIANIAN ENTERPRISES ANNOUNCES RESULTS OF PRIVATE DEBT EXCHANGE OFFERS
FOR CERTAIN OF ITS DEBT SECURITIES AND RECEIPT OF REQUISITE CONSENT IN CONSENT
SOLICITATION**

RED BANK, NJ, October 31, 2011 – Hovnianian Enterprises, Inc. (NYSE: HOV) (the “Company”) announced today the results of the private offers to exchange senior notes (collectively, the “Senior Notes”) for new 5.00% Senior Secured Notes due 2021 (the “5.00% New Secured Notes”) and new 2.00% Senior Secured Notes due 2021 (the “2.00% New Secured Notes,” and together with the 5.00% New Secured Notes, the “New Secured Notes”) to be issued in a private placement by K. Hovnianian Enterprises, Inc., a wholly-owned subsidiary of the Company (“K. Hovnianian”), and to be guaranteed by the Company and substantially all of its restricted subsidiaries. The New Secured Notes will be secured by a first-priority lien on the assets of certain subsidiaries that are “unrestricted subsidiaries” under K. Hovnianian’s existing indentures. The 5.00% New Secured Notes and 2.00% New Secured Notes will be issued as separate series under an indenture, but will have substantially the same terms other than with respect to interest rate and related redemption provisions, and will vote together as a single class.

The exchange offers expired at 12:00 midnight, New York City time, on October 29, 2011 (the “Expiration Time”). As of the Expiration Time, the following amounts of 2014 Notes and 2015 Notes (each as defined below) had been properly tendered (and not validly withdrawn) and will be accepted (without proration) for exchange into approximately \$141.8 million aggregate principal amount of 5.00% New Secured Notes: \$16.7 million in aggregate principal amount, or 31.33%, of the 6¹/₂% Senior Notes due 2014 (the “6¹/₂% 2014 Notes”); \$26.2 million in aggregate principal amount, or 89.68%, of the 6³/₈% Senior Notes due 2014 (the “6³/₈% 2014 Notes,” and together with the 6¹/₂% 2014 Notes, the “2014 Notes”); \$31.3 million in aggregate principal amount, or 59.34%, of the 6¹/₄% Senior Notes due 2015 (the “6¹/₄% 2015 Notes”); and \$67.6 million in aggregate principal amount, or 51.83%, of the 11⁷/₈% Senior Notes due 2015 (the “11⁷/₈% 2015 Notes” or the “Any and All Tender Notes,” and together with the 6¹/₄% 2015 Notes, the “2015 Notes”). Pursuant to the terms set forth in the Confidential Offering Memorandum and Consent Solicitation Statement, as amended to date (the “Offering Memorandum”), holders of 2014 Notes and 2015 Notes will also receive on the Settlement Date (as defined below) a cash payment of \$100 for each \$1,000 principal amount of 2014 Notes and 2015 Notes that were properly tendered (and not validly withdrawn) and accepted for exchange (the “Cash Consideration”). The aggregate Cash Consideration payable upon consummation of the exchange offers is \$14.2 million. In addition, as of the Expiration Time, the following amounts of 2016 Notes and 2017 Notes (each as defined below) had been properly tendered (and not validly withdrawn): \$13.3 million in aggregate principal amount, or 7.69%, of the 6¹/₄% Senior Notes due 2016 (the “6¹/₄% 2016 Notes”); \$20.7 million in aggregate principal amount, or 12.03%, of 7¹/₂% Senior Notes due 2016 (the “7¹/₂% 2016 Notes,” and together with the 6¹/₄% 2016 Notes, the “2016 Notes”); and \$21.3 million in aggregate principal amount, or 10.89%, of the 8³/₄% Senior Notes due 2017 (the “2017 Notes”). Of the tendered 2016 Notes and 2017 Notes, all of the 2016 Notes tendered were accepted without proration, and \$19.2 million of the \$21.3 million in aggregate principal amount of the 2017 Notes tendered were accepted (representing a proration factor of 89.8%), because the Maximum New Issuance Amount (as defined in the Offering Memorandum) of \$195.0

million was insufficient to accept all of the 2017 Notes tendered. The accepted 2016 Notes and 2017 Notes will be exchanged for approximately \$53.2 million aggregate principal amount of 2.00% New Secured Notes. The settlement date for the exchange offers is expected to be November 1, 2011 (the "Settlement Date").

Holders of Senior Notes that properly tendered (and did not validly withdraw) their Senior Notes prior to the Expiration Time, and whose Senior Notes are accepted for exchange will receive the applicable Total Consideration set forth in the Offering Memorandum. In addition, accrued interest up to, but not including, the Settlement Date will be paid in cash on all properly tendered and accepted Senior Notes.

The Company may, from time to time, make purchases and/or exchanges of Senior Notes through open market purchases, private transactions or otherwise depending on market conditions and covenant restrictions.

The exchange offers were made within the United States only to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. investors pursuant to Regulation S under the Securities Act. The New Secured Notes to be issued have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This press release does not constitute an offer to sell or the solicitation of an offer to buy Senior Notes or New Secured Notes in any jurisdiction in which such an offer or sale would be unlawful.

The exchange offers were made only by, and pursuant to, the terms set forth in the Offering Memorandum, and the information in this press release is qualified by reference to the Offering Memorandum and the accompanying Letter of Transmittal and Consent.

In addition, in connection with the consent solicitation, the Company announced that K. Hovnanian has received the requisite consents to adopt the proposed amendments (the "Proposed Amendments") to the indenture (the "Existing Indenture") governing K. Hovnanian's Any and All Tender Notes to eliminate substantially all of the restrictive covenants and certain of the default provisions contained in the Existing Indenture. No consideration is being paid for the consents.

K. Hovnanian has notified Wilmington Trust Company, the trustee under the Existing Indenture (the "Trustee") that it has received the consent of the Holders of at least a majority in aggregate principal amount of outstanding Any and All Tender Notes to the Proposed Amendments. Accordingly, K. Hovnanian, the Company, as guarantor, the other guarantors party thereto (together with the Company, the "Guarantors"), and the Trustee will enter into a supplemental indenture (the "Supplemental Indenture") to the Existing Indenture effecting the Proposed Amendments to be dated as of the Settlement Date. The Consent Solicitation was made in accordance with the terms and subject to the conditions stated in the Offering Memorandum.

About Hovnanian Enterprises

Hovnanian Enterprises, Inc., founded in 1959 by Kevork S. Hovnanian, is headquartered in Red Bank, New Jersey. The Company is one of the nation's largest homebuilders with operations in Arizona, California, Delaware, Florida, Georgia, Illinois, Maryland, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Texas, Virginia, Washington, D.C. and West Virginia. The Company's homes are marketed and sold under the trade names K. Hovnanian® Homes®, Matzel & Mumford, Brighton Homes, Parkwood Builders, Town & Country Homes and Oster Homes. As the

developer of K. Hovnanian' s® Four Seasons communities, the Company is also one of the nation' s largest builders of active adult homes.

Forward-Looking Statements

All statements in this press release that are not historical facts should be considered as “forward-looking statements”. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although we believe that the Company' s plans, intentions and expectations reflected in, or suggested by such forward-looking statements are reasonable, neither we nor the Company can provide assurance that such plans, intentions or expectations will be achieved. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and industry and business conditions and impacts of the sustained homebuilding downturn, (2) adverse weather, natural disasters and environmental conditions, (3) changes in market conditions and seasonality of the Company' s business, (4) changes in home prices and sales activity in the markets where the Company builds homes, (5) government laws and regulations, including, among others, those concerning development of land, the home building, sales and customer financing processes, tax laws, and the protection of the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in, and price fluctuations of, raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to the Company, (11) utility shortages and outages or rate fluctuations, (12) levels of indebtedness and restrictions on the Company' s operations and activities imposed by the agreements governing the Company' s outstanding indebtedness, (13) the Company' s sources of liquidity, (14) changes in the Company' s credit ratings, (15) availability of net operating loss carryforwards, (16) operations through joint ventures with third parties, (17) product liability litigation and warranty claims, (18) successful identification and integration of acquisitions, (19) significant influence of the Company' s controlling stockholders, (20) geopolitical risks, terrorist acts and other acts of war, and (21) other factors described in detail in the Company' s Annual Report on Form 10-K/A for the year ended October 31, 2010 and the Company' s quarterly reports on Form 10-Q or 10-Q/A for the quarters ended January 31, 2011, April 30, 2011 and July 31, 2011, respectively and in the Offering Memorandum under “Risk Factors.” All forward-looking statements attributable to the Company, us or persons acting on the Company' s or our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout the Offering Memorandum. Except as otherwise required by applicable securities laws, neither we nor the Company undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.