HOVNANIAN ENTERPRISES INC
Form 424B5
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Registration No. 333-173365

$12,000,000

K. Hovnanian Enterprises, Inc.

105/8% Senior Secured Notes due 2016
guaranteed by

Hovnanian Enterprises, Inc.

The notes are being issued as additional 105/8% Senior Secured Notes due 2016 under the indenture dated as of October 20, 2009. There are $785 million aggregate principal amount of 105/8% Senior Secured Notes due 2016 already outstanding under the indenture. The additional notes offered hereby will be treated as a single class with the outstanding 105/8% Senior Secured Notes due 2016. The notes will bear interest at the rate of 105/8% per year. Interest on the notes is payable on April 15 and October 15 of each year, beginning on October 15, 2011. The notes will mature on October 15, 2016. We may redeem some or all of the notes at any time on or after October 15, 2012 at the redemption prices specified under Description of Notes Redemption plus accrued and unpaid interest. In addition, we may redeem up to 35% of the aggregate principal amount of the notes (including the existing notes) before October 15, 2012 with the net cash proceeds from certain equity offerings at a price equal to 110.625% of the principal amount thereof plus accrued and unpaid interest, if any. There is no sinking fund for, or mandatory redemption of, the notes.

The obligations under the notes will be fully and unconditionally guaranteed by our parent company, Hovnanian Enterprises, Inc., and substantially all of its restricted subsidiaries. The notes and guarantees will be secured by a first-priority lien on substantially all of our and the guarantors assets, subject to permitted liens and certain exceptions.

Investing in the notes involves risks. See Risk Factors beginning on page S-8.

	Price to Public(1)	**Underwriting Discounts and Commissions**	**Proceeds to Us Before Expenses**
Per Note	105.500%	2.500%	103.000%
Total	$12,660,000	$300,000	$12,360,000

(1) Plus accrued interest from April 15, 2011.

The notes have not been and will not be listed on any exchange.

The underwriter expects to deliver the notes to purchasers on or about May 4, 2011.

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

Credit Suisse

April 29, 2011

We have not authorized anyone to provide you with any information other than that contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus prepared by or on behalf of us and the documents incorporated by reference herein. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate on the date of this prospectus supplement or such incorporated document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement that we have filed with the Securities and Exchange Commission (SEC) utilizing a shelf registration process. Under this shelf process, we are offering to sell the securities described in this prospectus supplement, using this prospectus supplement and the accompanying prospectus. When we refer to prospectus we are referring to both this prospectus supplement as well as the accompanying prospectus. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus and the information incorporated by reference therein describes our business and gives more general information, some of which may not apply to this offering. You should read this prospectus supplement together with the accompanying prospectus, including the documents incorporated by reference therein and herein, before making an investment in the securities offered by this prospectus supplement. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with the accompanying prospectus, the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

Except in the section under the caption Description of Notes and unless the context otherwise requires, all references in this prospectus supplement to:

- Issuer or K. Hovnanian are to K. Hovnanian Enterprises, Inc., a California corporation;
- Hovnanian, us, we, our or Company are to Hovnanian Enterprises, Inc., a Delaware corporation, together its consolidated subsidiaries, including K. Hovnanian; and
- Guarantors are to Hovnanian and its restricted subsidiaries that will guarantee the notes offered hereby.

INDUSTRY AND MARKET DATA

We obtained the market and competitive position data used throughout this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the underwriter has independently verified such data and neither we nor the underwriter makes any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference include 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 our plans, intentions and expectations reflected in, or suggested by such forward-looking statements are reasonable, we can give no assurance that such plans, intentions, or expectations will be achieved. Such risks, uncertainties and other factors include, but are not limited to:

- changes in general and local economic and industry and business conditions and impacts of the sustained homebuilding downturn;

adverse weather conditions and natural disasters;

changes in market conditions and other environmental conditions and seasonality of the Company s business;

changes in home prices and sales activity in the markets where the Company builds homes;

government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment;

fluctuations in interest rates and the availability of mortgage financing;

shortages in, and price fluctuations of, raw materials and labor;

the availability and cost of suitable land and improved lots;

levels of competition;

availability of financing to the Company;

utility shortages and outages or rate fluctuations;

levels of indebtedness and restrictions on the Company s operations and activities imposed by the agreements governing the Company s outstanding indebtedness;

the Company s sources of liquidity;

changes in credit ratings;

availability of net operating loss carryforwards;

operations through joint ventures with third parties;

product liability litigation and warranty claims;

successful identification and integration of acquisitions;

significant influence of the Company s controlling stockholders;

geopolitical risks, terrorist acts and other acts of war; and

other factors described in detail in our Amendment No. 1 to the Annual Report on Form 10-K/A for the year ended October 31, 2010, our quarterly report on Form 10-Q for the quarter ended January 31, 2011 and in this prospectus supplement.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this prospectus. Except as otherwise required by applicable securities laws, we undertake no 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.

SUMMARY

The following summary contains information about us and the offering of the notes. It does not contain all of the information that may be important to you in making a decision to purchase the notes. For a more complete understanding of us and the offering of the notes, we urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the Risk Factors sections and our financial statements and the notes to those statements incorporated by reference herein.

The Company

We design, construct, market, and sell single-family detached homes, attached townhomes and condominiums, mid-rise condominiums, urban infill and active adult homes in planned residential developments and are one of the nation s largest builders of residential homes. Founded in 1959 by Kevork Hovnanian, Hovnanian Enterprises, Inc. was incorporated in New Jersey in 1967 and reincorporated in Delaware in 1983. Since the incorporation of our predecessor company and including unconsolidated joint ventures, we have delivered in excess of 291,000 homes, including 5,009 homes in fiscal 2010. The Company consists of two distinct operations: homebuilding and financial services. Our homebuilding operations consist of six segments: Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West. Our financial services operations provide mortgage loans and title services to the customers of our homebuilding operations.

We are currently, excluding unconsolidated joint ventures, offering homes for sale in 188 communities in 40 markets in 18 states throughout the United States. Our operations span all significant aspects of the home-buying process from design, construction, and sale, to mortgage origination and title services. We market and build homes for first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers, and empty nesters. We offer a variety of home styles at base prices ranging from $34,000 (low income housing) to $1,660,000 with an average sales price, including options, of $281,000 nationwide in fiscal 2010.

We market and build homes that are constructed in 20 of the nation s top 50 housing markets. We segregate our homebuilding operations geographically into the following six segments:

Northeast: New Jersey, New York, and Pennsylvania

Mid-Atlantic: Delaware, Maryland, Virginia, West Virginia, and Washington, D.C.

Midwest: Illinois, Kentucky, Minnesota, and Ohio

Southeast: Florida, Georgia, North Carolina, and South Carolina

Southwest: Arizona and Texas

West: California

Our corporate offices are located at 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, our telephone number is 732-747-7800, and our Internet web site address is www.khov.com. Information on or accessible through our website is not a part of, or incorporated by reference in, this prospectus.

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Recent Developments and Related Transactions

February 2011 Transactions

On February 9, 2011, we completed an underwritten public offering (the February 2011 Common Stock Offering) of 13,512,500 shares of our Class A Common Stock, including 1,762,500 shares issued pursuant to the over-allotment option granted to the underwriters, at a price of $4.30 per share. Also on February 9, 2011, we and K. Hovnanian completed an underwritten public offering (the February 2011 Units Offering) of 3,000,000 7.25% Tangible Equity Units (the Units), and on February 14, 2011, we and K. Hovnanian issued an additional 450,000 Units pursuant to the over-allotment option granted to the underwriters. On February 14, 2011, K. Hovnanian completed an underwritten public offering (the February 2011 Notes Offering) of $155.0 million aggregate principal amount of 117/8% Senior Notes due 2015. We refer to the February 2011 Common Stock Offering, the February 2011 Units Offering and the February 2011 Notes Offering collectively, as the February 2011 Offerings.

The net proceeds from the February 2011 Offerings were approximately $286.2 million, a portion of which were used to fund the purchase, on February 14, 2011, of certain of K. Hovnanian s senior and senior subordinated notes in tender offers for any and all of such notes as follows: approximately $24.6 million aggregate principal amount of 8% Senior Notes due 2012 (the 2012 Senior Notes), $44.1 million aggregate principal amount of 87/8% Senior Subordinated Notes due 2012 (the 2012 Senior Subordinated Notes) and $29.2 million aggregate principal amount of 73/4% Senior Subordinated Notes due 2013 (the 2013 Notes and, together with the 2012 Senior Notes and the 2012 Senior Subordinated Notes, the Tender Offer Notes). Also on February 14, 2011, K. Hovnanian called for redemption on March 15, 2011 all Tender Offer Notes that were not tendered in the tender offers for an aggregate redemption price of approximately $60.1 million. Such redemptions were funded with proceeds from the February 2011 Offerings. We refer to the February 2011 Offerings together with the repurchase and redemption of the Tender Offer Notes described above as the February 2011 Transactions. See our Quarterly Report on Form 10-Q for the quarter ended January 31, 2011, incorporated by reference into this prospectus for additional information.

Redemption of the Junior Lien Notes

We intend to use the net proceeds from this offering together with cash on hand to fund the redemption of all of K. Hovnanian s outstanding 111/2% Senior Secured Notes due 2013 (the Second Lien Notes) and 18.0% Senior Secured Notes due 2017 (the Third Lien Notes and, together with the Second Lien Notes, the Junior Lien Notes). As of January 31, 2011, there were approximately $0.5 million aggregate principal amount of Second Lien Notes outstanding and approximately $11.7 million aggregate principal amount of Third Lien Notes outstanding. Beginning May 1, 2011, the Second Lien Notes may be called for redemption at K. Hovnanian s option at a redemption price of 101% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the redemption date, and the Third Lien Notes may be called for redemption at K. Hovnanian s option at a redemption price of 102% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the redemption date. We currently expect to issue notices of redemption to holders of the Junior Lien Notes concurrently with the closing of this offering, specifying a redemption date for the Junior Lien Notes that is 30 days after the date of such notice. We refer to the anticipated redemptions of the Junior Lien Notes as the Redemptions.

The Offering

Issuer	K. Hovnanian Enterprises, Inc.
Notes Offered	We are offering $12.0 million aggregate principal amount of 105/8% Senior Secured Notes due 2016. The notes offered hereby (the New Notes) are being issued as additional 105/8% Senior Secured Notes due 2016 under an indenture dated as of October 20, 2009. There are $785.0 million aggregate principal amount of 105/8% Senior Secured Notes due 2016 already outstanding under that indenture (the Existing Notes and together with the New Notes, the Notes). The New Notes we are offering hereby constitute Additional Notes under the indenture and will be treated with the Existing Notes as a single class.
Maturity Date	October 15, 2016.
Interest Payment Dates	Each April 15 and October 15, beginning October 15, 2011.
Optional Redemption	We may redeem some or all of the Notes at any time on or after October 15, 2012, at the redemption prices specified under the section Description of Notes Redemption plus accrued and unpaid interest, if any. In addition, we may redeem up to 35% of the aggregate principal amount of the Notes before October 15, 2012 with the net cash proceeds from certain equity offerings at a price equal to 110.625% of the principal amount thereof plus accrued and unpaid interest, if any.
Change of Control	Upon a Change of Control as described in the section Description of Notes Certain covenants Repurchase of Notes upon Change of Control, you may require us to repurchase all or part of your Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. We can give no assurance that, upon such an event, we will have sufficient funds to repurchase any of the Notes.
Guarantees	The Guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent s existing and future restricted subsidiaries. If the Issuer cannot make payments on the Notes when they are due, the Guarantors must make the payments instead. As of the date of this prospectus supplement, our foreign subsidiary is not a Guarantor, and our home mortgage subsidiaries, our joint ventures and subsidiaries holding interests in our joint ventures and certain of our title insurance subsidiaries are not Guarantors or restricted subsidiaries. In addition, three of our restricted subsidiaries, which we expect to sell prior to the closing of this offering, will not be Guarantors upon the closing of such sale.
Ranking	The Notes and the guarantees thereof will be the Issuer s and the Guarantors general senior secured obligations and will: rank senior in right of payment to the Issuer s and the Guarantors existing and future debt and other obligations that expressly provide for

their subordination to the Notes and the guarantees;

rank equally in right of payment to all of the Issuer s and the Guarantors existing and future unsubordinated debt;

be effectively senior to all of the Issuer s and the Guarantors debt that is unsecured or secured by junior-priority liens, to the extent of the value of the collateral;

be effectively subordinated to any of the Issuer s or any Guarantor s debt that is secured by permitted liens on assets that are not part of the collateral securing the Notes, to the extent of the value of such assets (see Collateral below); and

be structurally subordinated to all of the existing and future liabilities, including trade payables, of our subsidiaries that do not guarantee the Notes.

Furthermore, we have entered into certain stand alone letter of credit agreements and facilities, which require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder. We refer to the collateral that secures these letter of credit agreements and facilities, and that will secure any future such agreements, facilities or similar instruments as the L/C Collateral. The indenture governing the Notes requires (except with respect to certain assets excluded from the collateral securing the Notes, including $25.0 million of cash and cash equivalents collateralizing letters of credit or similar instruments) that the holders of the Notes have a security interest in the L/C Collateral that collateralizes our letter of credit agreements and facilities and any future agreements, facilities or similar instruments on a basis that is junior to the lien granted to the applicable issuing bank. Accordingly, upon an enforcement event or insolvency proceeding, proceeds from such L/C Collateral will be applied first to satisfy such letter of credit obligations and then to satisfy the obligations on the Notes.

At January 31, 2011, on a pro forma basis, after giving effect to (i) the February 2011 Transactions and (ii) the completion of this offering and the Redemptions, the Issuer and the Guarantors would have had:

approximately $797.0 million of secured indebtedness outstanding ($784.8 million, net of discount), all of which would be represented by the Notes;

approximately $828.8 million of senior unsecured notes ($827.2 million, net of discount); and

approximately $15.6 million of senior subordinated notes.

In addition, as of January 31, 2011, we had a total of $86.3 million of letters of credit outstanding issued under our letter of credit agreements and facilities.

	In addition, as of January 31, 2011, our non-guarantor subsidiaries had approximately $38.2 million of liabilities, including trade payables, but excluding intercompany obligations.
	See the section Description of Notes Ranking.
Collateral	The Notes and the guarantees thereof will be secured by a first-priority lien on substantially all the assets owned by the Issuer and

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the Guarantors on the issue date of the Notes or thereafter acquired, subject to permitted liens and certain exceptions.

The collateral will not include:

the pledge of stock of Guarantors or of K. Hovnanian JV Holdings, L.L.C., our wholly owned holding company subsidiary that owns our equity interests in substantially all of our joint ventures, to the extent such pledge would result in separate financial statements of such Guarantor or of K. Hovnanian JV Holdings, L.L.C. being required in SEC filings;

personal property where the cost of obtaining a security interest or perfection thereof exceeds its benefits;

real property subject to a lien securing indebtedness incurred for the purpose of financing the acquisition thereof;

real property located outside of the United States;

unentitled land;

real property which is leased or held for the purpose of leasing to unaffiliated third parties;

equity interests in subsidiaries other than restricted subsidiaries, except for K. Hovnanian JV Holdings, L.L.C., and subject to future grants under certain circumstances as required under the indenture;

any real property in a community under development with a dollar amount of investment as of the most recent month-end (determined in accordance with GAAP) of less than $2.0 million or with less than 10 lots remaining;

up to $50.0 million of assets received in certain asset dispositions or asset swaps or exchanges made in accordance with the indenture;

assets with respect to which any applicable law or contract prohibits the creation or perfection of security interests therein; and

up to $25.0 million of L/C Collateral, provided that we will use commercially reasonable efforts to obtain the necessary consent of the banks issuing the letters of credit in order to have such L/C Collateral secure the Notes. Upon release of such cash or cash equivalents from the liens securing such letters of credit, such cash and cash equivalents will become subject to a lien in favor of the holders of Notes, pending usage as permitted by the indenture.

Furthermore, the Issuer and the Guarantors will not be required to provide control agreements with respect to certain deposit, checking or securities

accounts with average balances below a certain dollar amount.

At January 31, 2011, the aggregate book value of the real property that constituted part of the collateral securing the Notes was approximately $757.5 million, which does not include the impact of inventory investments, home deliveries, or impairments

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thereafter and which may differ from the appraised value. In addition, cash collateral that constituted part of the collateral securing the Notes was $273.3 million as of January 31, 2011, which includes $88.3 million of restricted cash also collateralizing certain letters of credit. Subsequent to such date, cash uses include general business operations and real estate and other investments. The incremental value of the stock of Guarantors that would constitute a part of the collateral securing the Notes is not meaningful because the underlying assets of such Guarantors have been separately pledged as collateral.

For more details, see the section Description of Notes Security.

Subject to limitations in our debt instruments, we may secure indebtedness and other obligations, including our letter of credit agreements and facilities, permitted to be incurred under the indenture governing the Notes by granting liens upon any or all of the collateral securing the Notes. Such indebtedness and other obligations may be secured, subject to certain limits, on an equal or a junior basis with respect to the Notes.

Certain Covenants

The Notes will be issued under an indenture dated as of October 20, 2009, which, among other things, restricts the Issuer s ability and the ability of the Guarantors to:

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

These covenants are subject to a number of important exceptions and qualifications. For more details, see the section Description of Notes Certain covenants.

Qualified Reopening

We will treat the New Notes as having been issued in a qualified reopening for United States federal income tax purposes, and the following discussion assumes such treatment will be respected. Consequently, the New Notes will be part of the same issue as the

Existing Notes. Because the Existing Notes were issued with original issue discount (OID) for United States federal income tax purposes, the New Notes also will have OID. However, as discussed in further detail below under Certain United States Federal Tax Consequences Certain Tax Consequences to U.S. Holders Amortizable Premium, since the initial offering price of the New

	Notes is greater than their stated principal amount, investors purchasing New Notes pursuant to this offering at their initial offering price will not be required to include any OID in income. See Certain United States Federal Tax Consequences.
Use of Proceeds	We intend to use the net proceeds from this offering together with cash on hand to fund the Redemptions and to pay related fees and expenses.
Risk Factors	See Risk Factors beginning on page S-8 of this prospectus supplement for a discussion of risks you should carefully consider before deciding to invest in the New Notes.

RISK FACTORS

An investment in the New Notes involves a high degree of risk. Before making a decision to invest in the New Notes, you should carefully consider the following:

- *the risk factors described below and those contained in the documents incorporated by reference in this prospectus supplement; and*
- *the other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement.*

Risks Related to Our Business

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

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

- Employment levels and job growth;
- Availability of financing for home buyers;
- Interest rates;
- Foreclosure rates;
- Inflation;
- Adverse changes in tax laws;
- Consumer confidence;
- Housing demand;
- Population growth; and
- Availability of water supply in locations in which we operate.

Turmoil in the financial markets could affect our liquidity. In addition, our cash balances are primarily invested in short-term government-backed instruments. The remaining cash balances are held at numerous financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major financial institutions and diversifying our investments. In addition, our homebuilding operations often require us to obtain letters of credit. In connection with the issuance of our senior secured first lien notes in the fourth quarter of fiscal 2009, we terminated our revolving credit facility and refinanced the borrowing capacity thereunder. In addition,

we entered into certain stand alone letter of credit facilities, and agreements pursuant to which all of the outstanding letters of credit under our revolving credit facility were replaced with letters of credit issued under such new letter of credit facilities and agreements. However, we may need additional letters of credit above the amounts provided under these new letter of credit facilities and agreements. If we are unable to obtain such additional letters of credit as needed to operate our business, we may be adversely affected.

Weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can harm the local homebuilding business. Our business in Florida was adversely affected in late 2005 and into 2006 due to the effect of Hurricane Wilma on materials and labor availability and pricing. Conversely, Hurricane Ike, which hit Houston in September 2008, did not have an effect on materials and labor availability or pricing, but did affect the volume of home sales in subsequent weeks.

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The difficulties described above could cause us to take longer and incur more costs to build our homes. We may not be able to recapture increased costs by raising prices in many cases because we fix our prices up to 12 months in advance of delivery by signing home sales contracts. In addition, some home buyers may cancel or not honor their home sales contracts altogether.

The homebuilding industry is undergoing a significant and sustained downturn which has, and could continue to, materially and adversely affect our business, liquidity, and results of operations.

The homebuilding industry is now experiencing a significant and sustained downturn. An industry-wide softening of demand for new homes has resulted from a lack of consumer confidence, decreased availability of mortgage financing, and large supplies of resale and new home inventories, among other factors. In addition, an oversupply of alternatives to new homes, such as rental properties, resale homes, and foreclosures, has depressed prices and reduced margins for the sale of new homes. Industry conditions had a material adverse effect on our business and results of operations in fiscal years 2007 through 2010 and may continue to materially adversely affect our business and results of operations in fiscal 2011. Further, we substantially increased our inventory through fiscal 2006, which required significant cash outlays and which has increased our price and margin exposure as we continue to work through this inventory. Looking forward, if the housing market continues to deteriorate it will become more difficult to generate positive cash flow. General economic conditions in the U.S. remain weak. Market volatility has been unprecedented and extraordinary in the last several years, and the resulting economic turmoil may continue to exacerbate industry conditions or have other unforeseen consequences, leading to uncertainty about future conditions in the homebuilding industry. Continuation or worsening of this downturn or general economic conditions would continue to have a material adverse effect on our business, liquidity, and results of operations.

In addition, an increase in the default rate on the mortgages we originate may adversely affect our ability to sell mortgages or the pricing we receive upon the sale of mortgages. Although substantially all of the mortgage loans we originate are sold in the secondary mortgage market on a servicing released, non-recourse basis, we remain liable for certain limited representations, such as fraud, and warranties related to loan sales. As default rates rise, this may increase our potential exposure regarding mortgage loan sales because investors may seek to have us buy back or make whole investors for mortgages we previously sold. To date, we have not made significant payments related to our mortgage loans but because of the uncertainties inherent to these matters, actual future payments could differ significantly from our currently estimated amounts.

There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets, or increase liquidity and the availability of credit, or whether any such results will be sustainable. The housing market has benefited from a number of government programs, including:

- Tax credits for home buyers provided by the federal government and certain state governments, including California; and

- Support of the mortgage market, including through purchases of mortgage-backed securities by The Federal Reserve Bank and the underwriting of a substantial amount of new mortgages by the Federal Housing Administration (FHA) and other governmental agencies.

These programs are expected to wind down over time; for example the California tax credit ended in the fourth quarter of fiscal 2009 and the federal tax credit expired in April 2010. In addition, in fiscal 2010, the U.S. Department of Housing and Urban Development (HUD) tightened FHA underwriting standards. Housing markets may further decline as these programs are modified or terminated.

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

We have a significant amount of debt.

Our debt, as of January 31, 2011, including the debt of the subsidiaries that guarantee our debt, was $1,630.6 million ($1,616.8 million net of discount); and

our debt service payments for the 12-month period ended January 31, 2011 were $150.1 million, all of which represents interest incurred as there were no mandatory principal payments on our corporate debt under the terms of our indentures, but does not include principal and interest on nonrecourse secured debt, debt of our financial subsidiaries and fees under our letter of credit facilities and agreements.

In addition, as of January 31, 2011, we had $86.3 million in aggregate outstanding face amount of letters of credit issued under various letter of credit facilities and agreements, which were collateralized by $88.3 million of cash. Our fees for these letters of credit for the 12 months ended January 31, 2011, which are based on both the used and unused portion of the facilities and agreements, were $1.3 million. We also had substantial contractual commitments and contingent obligations, including approximately $360.9 million of performance bonds as of January 31, 2011.

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

Limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements, or other requirements;

Require us to dedicate a substantial portion of our cash flow from operations to the payment of our debt and reduce our ability to use our cash flow for other purposes;

Limit our flexibility in planning for, or reacting to, changes in our business;

Place us at a competitive disadvantage because we have more debt than some of our competitors; and

Make us more vulnerable to downturns in our business and general economic conditions.

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

Our sources of liquidity are limited and may not be sufficient to meet our needs.

In connection with the issuance of our senior secured first lien notes in the fourth quarter of fiscal 2009, we terminated our revolving credit facility and refinanced the borrowing capacity thereunder. Because we no longer have a revolving credit facility, we are dependent on our current cash balance and future cash flows from operations (which may not be positive) to enable us to service our indebtedness, to cover our operating expenses, and/or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our debt on or before maturity, which we may not be able to do on favorable terms or at all. If our cash flows and capital resources are insufficient to fund our debt service obligations or we are unable to refinance our indebtedness, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, or restructure our indebtedness. These alternative measures may not be successful and may not permit us to meet our debt service obligations. We have also entered into certain cash collateralized letter of credit agreements and facilities that require us to maintain specified amounts of

cash in segregated accounts as collateral to support our letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. If our available cash and capital resources are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or the proceeds from the dispositions may not be adequate to meet any debt service obligations then due.

Restrictive covenants in our debt instruments may restrict our ability to operate and if our financial performance worsens, we may not be able to undertake transactions within the restrictions of our debt instruments.

The indentures governing our outstanding debt securities impose certain restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, creating liens, sales of assets, cash distributions, including paying dividends on common and preferred stock, capital stock and debt repurchases, and investments by us and certain of our subsidiaries. Because of these restrictions, we are currently prohibited from paying dividends on our preferred stock and anticipate that we will remain prohibited for the foreseeable future.

The restrictions in our debt instruments could prohibit or restrict our activities such as undertaking capital, raising or restructuring activities or entering into other transactions. In such a situation, we may be unable to amend the instrument or obtain a waiver. In addition, if we fail to make timely payments on this debt and other material indebtedness, our debt under these debt instruments could become due and payable prior to maturity. In such a situation, there can be no assurance that we would be able to obtain alternative financing. Either situation could have a material adverse effect on the solvency of the Company.

The terms of our debt instruments allow us to incur additional indebtedness.

Under the terms of our indebtedness under our indentures, we have the ability, subject to our debt covenants, to incur additional amounts of debt. The incurrence of additional indebtedness could magnify the risks described above. In addition, certain obligations such as standby letters of credit and performance bonds issued in the ordinary course of business, including those issued under our stand-alone letter of credit agreements and facilities, are not considered indebtedness under our indentures (and may be secured), and therefore, are not subject to limits in our debt covenants.

We could be adversely affected by a negative change in our credit rating.

Our ability to access capital on favorable terms is a key factor in our ability to service our indebtedness to cover our operating expenses, and to fund our other liquidity needs. On March 16, 2009, Fitch Ratings lowered the Company s issuer default rating to CCC from B-. On April 7, 2009, Moody s Investor Services affirmed our corporate family rating of Caa1, with a negative outlook. On April 1, 2009, Standard & Poor s (S&P) lowered our B-corporate credit rating to CCC, with a negative outlook. On September 14, 2010, S&P affirmed our corporate credit rating of CCC+ but revised our outlook from developing to negative. Downgrades may make it more difficult and costly for us to access capital. Therefore, any further downgrade by any of the principal credit agencies may exacerbate these difficulties.

Our business is seasonal in nature and our quarterly operating results can fluctuate.

Our quarterly operating results generally fluctuate by season. Historically, a large percentage of our agreements of sale have been entered into in the winter and spring. The construction of a customer s home typically begins after signing the agreement of sale and can take 12 months or more to complete. Weather-related problems, typically in the fall, late winter and early spring, can delay starts or closings and increase costs and thus reduce profitability. In addition, delays in opening communities could have an adverse effect on our sales and revenues. Due to these factors, our quarterly operating results will likely continue to fluctuate.

Our success depends on the availability of suitable undeveloped land and improved lots at acceptable prices and our having sufficient liquidity to fund such investments.

Our success in developing land and in building and selling homes depends in part upon the continued availability of suitable undeveloped land and improved lots at acceptable prices. The availability of undeveloped land and improved

lots for purchase at favorable prices depends on a number of factors outside of our control, including the risk of competitive over-bidding on land and lots and restrictive governmental regulation. Should suitable land opportunities become less available, the number of homes we may be able to build and sell would be reduced, which would reduce revenue and profits. In addition, our ability to make land

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purchases will depend upon us having sufficient liquidity to fund such purchases. We may be at a disadvantage in competing for land due to our significant debt obligations, which require substantial cash resources.

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

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

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

Land inventory risk can be substantial for homebuilders. We must continuously seek and make acquisitions of land for expansion into new markets and for replacement and expansion of land inventory within our current markets. The market value of undeveloped land, buildable lots, and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. In the case of land options, we could choose not to exercise them, in which case we would write off the value of these options. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. The assessment of communities for indication of impairment is performed quarterly. While we consider available information to determine what we believe to be our best estimates as of the reporting period, these estimates are subject to change in future reporting periods as facts and circumstances change. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K/A incorporated by reference herein. For example, during 2010, 2009, and 2008, we decided not to exercise many option contracts and walked away from land option deposits and predevelopment costs, which resulted in land option write-offs of $13.2 million, $45.4 million and $114.1 million, respectively. Also, in 2010, 2009, and 2008, as a result of the difficult market conditions, we recorded inventory impairment losses on owned property of $122.5 million, $614.1 million, and $596.0 million, respectively. If market conditions continue to worsen, additional inventory impairment losses and land option write-offs will likely be necessary.

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

We presently conduct a significant portion of our business in the California, Maryland, New Jersey, Texas and Virginia markets. Home prices and sales activities in these markets and in most of the other markets in which we operate have declined from time to time, particularly as a result of slow economic growth. In particular, market conditions in California, Maryland, New Jersey and Virginia have declined significantly since the end of 2006. Furthermore, precarious economic and budget situations at the state government level may adversely affect the market for our homes in those affected areas. If home prices and sales activity decline in one or more of the markets in which we operate, our costs may not decline at all or at the same rate and may negatively impact our results of operations.

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

Virtually all of our customers finance their acquisitions through lenders providing mortgage financing. Increases in interest rates or decreases in availability of mortgage financing could lower demand for new homes because of the increased monthly mortgage costs to potential home buyers. Even if potential customers

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

Starting in 2007, many lenders have been significantly tightening their underwriting standards, and many subprime and other alternative mortgage products are no longer being made available in the marketplace. If these trends continue and mortgage loans continue to be difficult to obtain, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes will be adversely affected, which will adversely affect our operating results. In addition, we believe that the availability of mortgage financing, including Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and FHA/VA financing, is an important factor in marketing many of our homes. In addition, in fiscal 2010, HUD tightened FHA underwriting standards. Any limitations or restrictions on the availability of those types of financing could reduce our sales.

Increases in the costs of owning a home could prevent potential customers from buying our homes and adversely affect our business or financial results.

Significant expenses of owning a home, including mortgage interest expenses and real estate taxes, generally are deductible expenses for an individual s federal, and in some cases state, income taxes, subject to limitations under current tax law and policy. If the federal government or a state government were to change its income tax laws to eliminate or substantially limit these income tax deductions, as has been discussed from time to time, the after-tax cost of owning a new home would increase for many of our potential customers. The loss or reduction of these homeowner tax deductions, if such tax law changes were enacted without any offsetting legislation, would adversely impact demand for and sales prices of new homes, including ours. In addition, increases in property tax rates or fees on developers by local governmental authorities, as experienced in response to reduced federal and state funding or to fund local initiatives such as funding schools or road improvements, can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes, and can have an adverse impact on our business and financial results.

We conduct certain of our operations through unconsolidated joint ventures with independent third parties in which we do not have a controlling interest. These investments involve risks and are highly illiquid.

We currently operate through a number of unconsolidated homebuilding and land development joint ventures with independent third parties in which we do not have a controlling interest. At January 31, 2011, we had invested an aggregate of $57.8 million in these joint ventures, including advances to these joint ventures of approximately $13.9 million. In addition, as part of our strategy, we intend to continue to evaluate additional joint venture opportunities.

These investments involve risks and are highly illiquid. There are a limited number of sources willing to provide acquisition, development, and construction financing to land development and homebuilding joint ventures, and as market conditions become more challenging, it may be difficult or impossible to obtain financing for our joint ventures on commercially reasonable terms. Recently, we have been unable to obtain financing for newly created joint ventures. In addition, we lack a controlling interest in these joint ventures and, therefore, are usually unable to require that our joint ventures sell assets or return invested capital, make additional capital contributions, or take any other action without the vote of at least one of our venture partners. Therefore, absent partner agreement, we will be unable to liquidate our joint venture investments to generate cash.

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

We are subject to extensive and complex regulations that affect the development and home building, sales, and customer financing processes, including zoning, density, building standards, and mortgage financing. These regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or homebuilding. In light of recent developments in the home building industry and the financial markets, federal, state, or local governments may seek to adopt regulations that limit or prohibit homebuilders from providing mortgage financing to their customers. If adopted, any such regulations could adversely affect future revenues and earnings. In addition, some state and local governments in markets where we operate have approved, and others may approve, slow-growth or no-growth initiatives that could negatively impact the availability of land and building opportunities within those areas. Approval of these initiatives could adversely affect our ability to build and sell homes in the affected markets and/or could require the satisfaction of additional administrative and regulatory requirements, which could result in slowing the progress or increasing the costs of our homebuilding operations in these markets. Any such delays or costs could have a negative effect on our future revenues and earnings.

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

For example, the Company was engaged in discussions with the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Justice (DOJ) regarding alleged violations of storm water discharge requirements. In resolution of this matter, in April 2010 we agreed to the terms of a consent decree with the EPA, DOJ and the states of Virginia, Maryland, West Virginia and the District of Columbia (collectively the States). The consent decree was approved by the federal district court in August 2010. Under the terms of the consent decree, we have paid a fine of $1.0 million collectively to the United States and the States named above and have agreed to perform under the terms of the consent decree for a minimum of three years, which includes implementing certain operational and training measures nationwide to facilitate ongoing compliance with storm water regulations. More recently, the New York State Department of Environmental Conservation assessed a $161,000 civil penalty (of which $96,000 was suspended) against us and required us to perform certain measures in connection with notices of violation for allegedly failing to comply with a storm water permit at an incomplete project in the state of New York; we have paid the $65,000 penalty and anticipate timely completion of the required measures without material expense, although if we do not complete the required measures on time some or all of the suspended penalty could be imposed. Although we do not know the final outcome, we believe any penalties and any other impacts of this matter will not have a material adverse effect on us.

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

Product liability litigation and warranty claims that arise in the ordinary course of business may be costly.

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. Such claims are common in the homebuilding industry and can be costly. In addition, the

amount and scope of coverage offered by insurance companies is currently limited, and this coverage may be further restricted and become more costly. If we are not able to obtain adequate insurance against such claims, we may experience losses that could hurt our financial results. Our financial results could also be adversely affected if we were to experience an unusually high number of claims or unusually severe claims. Recently, other homebuilders in Alabama, Florida, Louisiana, Mississippi and Texas have had construction defect claims associated with allegedly defective drywall manufactured in China (Chinese Drywall) that may be responsible for noxious smells and accelerated corrosion of certain metals in the home. We have currently identified 13 homes with Chinese Drywall that must be remediated, and we have been notified of 22 more homes that potentially have Chinese Drywall that may need remediation. These homes are located in our Florida and Houston markets. The estimated costs of the remediations of these homes are reserved. If additional homes are identified to have this issue, or our actual costs to remediate differ from our current estimated costs, it may require us to revise our warranty reserves.

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

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

The competitive conditions in the homebuilding industry together with current market conditions have, and could continue to, result in:

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

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

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

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or borrowing additional money, for the future growth and development of our business. The terms or availability of additional capital is uncertain. Moreover, the indentures for our outstanding debt securities contain provisions that restrict the debt we may incur in the future and our ability to pay dividends on equity. If we are not successful in obtaining sufficient capital, it could reduce our sales and may hinder our future growth and results of operations. In addition, pledging substantially all of our assets to support our first, second and third lien senior secured notes may make it more difficult to raise additional financing in the future.

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

Acquisitions of companies have contributed to our historical growth and may again be a component of our growth strategy in the future. In the future, we may acquire businesses, some of which may be significant. As a result of acquisitions of companies, we may need to seek additional financing and integrate product lines, dispersed operations, and distinct corporate cultures. These integration efforts may not succeed or may distract our management from

operating our existing business. Additionally, we may not be able to enhance our earnings as a result of acquisitions. Our failure to successfully identify and manage future acquisitions could harm our operating results.

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Our controlling stockholders are able to exercise significant influence over us.

Members of the Hovnanian family, including Ara K. Hovnanian, our chairman of the board, president and chief executive officer, have voting control, through personal holdings, the limited partnership established for members of Mr. Hovnanian s family and family trusts, of Class A and Class B common stock that enables them to cast approximately 70% of the votes that may be cast by the holders of our outstanding Class A and Class B common stock combined. Their combined stock ownership enables them to exert significant control over us, including power to control the election of the Board and to approve matters presented to our stockholders. This concentration of ownership may also make some transactions, including mergers or other changes in control, more difficult or impossible without their support. Also, because of their combined voting power, circumstances may occur in which their interests could be in conflict with the interests of other stakeholders.

Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

Based on recent impairments and our current financial performance, we generated a federal net operating loss carryforward of $904.9 million through the year ended October 31, 2010, and we may generate net operating loss carryforwards in future years.

Section 382 of the Internal Revenue Code (the Code) contains rules that limit the ability of a company that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock over a three-year period, to utilize its net operating loss carryforwards and certain built-in losses recognized in years after the ownership change. These rules generally operate by focusing on ownership shifts among stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company.

If we undergo an ownership change for purposes of Section 382 as a result of future transactions involving our stock, including purchases or sales of stock between 5% shareholders, our ability to use our net operating loss carryforwards and to recognize certain built-in losses would be subject to the limitations of Section 382. Depending on the resulting limitation, a significant portion of our net operating loss carryforwards could expire before we would be able to use them. A limitation imposed under Section 382 on our ability to utilize our net operating loss carryforwards could have a negative impact on our financial position and results of operations.

In August 2008, we announced that the Board adopted a shareholder rights plan (the Rights Plan) designed to preserve shareholder value and the value of certain tax assets primarily associated with net loss carryforwards and built-in losses under Section 382 of the Code, and on December 5, 2008, our stockholders approved the Board s decision to adopt the Rights Plan. The Rights Plan is intended to act as a deterrent to any person or group acquiring 4.9% or more of our outstanding Class A common stock (any such person an Acquiring Person), without the approval of the Company s board of directors. Subject to the terms, provisions and conditions of the Rights Plan, if and when they become exercisable, each right would entitle its holder to purchase from the Company one ten-thousandth of a share of the Company s Series B Junior Preferred Stock for a purchase price of $35.00. The rights will not be exercisable until the earlier of (i) 10 business days after a public announcement by us that a person or group has become an Acquiring Person and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group for 4.9% of the Class A common stock. If issued, each fractional share of Series B Junior Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of the Company s Class A common stock. However, prior to exercise, a right does not give its holder any rights as a stockholder of the Company, including without limitation any dividend, voting or liquidation rights. See Description of Capital Stock Rights Plan in the accompanying prospectus for more information.

In addition, on December 5, 2008, our stockholders approved an amendment to our Certificate of Incorporation to restrict certain transfers of our stock in order to preserve the tax treatment of our net operating loss carryforwards and built-in losses under Section 382 of the Code. Subject to certain exceptions pertaining to pre-existing 5% stockholders and Class B stockholders, the transfer restrictions in the amended

Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of the Company s stock that result from the transfer of interests in other entities that own the Company s stock) if the effect would be to: (i) increase the direct or indirect ownership of the Company s stock by any person (or public group) from less than 5% to 5% or more of the Company s stock; (ii) increase the percentage of the Company s stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of the Company s stock; or (iii) create a new public group (as defined in the applicable Treasury regulations). See Description of Capital Stock Transfer Restrictions in the Certificate of Incorporation in the accompanying prospectus for more information.

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

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

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

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

Risks Related to the Notes

We have a significant amount of indebtedness and we may incur additional indebtedness.

At January 31, 2011, on a pro forma basis, after giving effect to (i) the February 2011 Transactions and (ii) the completion of this offering and the anticipated Redemptions, the Issuer and the Guarantors would have had approximately $1,682.8 million ($1,669.0 million, net of discount) of debt (including the Notes) outstanding. We and our subsidiaries may incur additional indebtedness in the future. While the terms of the indenture under which the Notes will be issued and our other existing debt instruments restrict us or our subsidiaries from incurring additional indebtedness, these restrictions include exceptions that will allow us and our subsidiaries to incur additional debt. If indebtedness is added to our current debt levels, the risks related to the Notes and our indebtedness generally that we and our subsidiaries now face could intensify.

The Notes and the guarantees thereof will be structurally subordinated to indebtedness of our non-guarantor subsidiaries and joint ventures.

The Notes and the guarantees thereof will be structurally subordinated to the indebtedness (including trade payables) of any non-guarantor subsidiary and joint venture to the extent of the value of their assets, and holders of the Notes will not have any claim as a creditor against any non-guarantor subsidiary or joint venture. In addition, the Indenture under which the Notes will be issued permits, subject to certain limitations, non-guarantor subsidiaries and joint ventures to incur additional indebtedness and will not contain any limitation on the amount of liabilities (such as trade

payables) that may be incurred by them. At January 31, 2011, non-guarantor subsidiaries and joint ventures had approximately $38.2 million and $226.8 million, respectively, of outstanding liabilities, including trade payables.

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Our non-guarantor subsidiaries and joint ventures are not subject to the restrictive covenants in the indenture under which the Notes will be issued.

Certain of our subsidiaries and all of our joint venture operations are not subject to the restrictive covenants in the indenture under which the Notes will be issued. This means that these entities will be able to engage in many of the activities that we and our restricted subsidiaries are prohibited or limited from doing under the terms of such indenture, such as incurring additional debt, securing assets in priority to the claims of the holders of the Notes, paying dividends, making certain investments, selling assets and entering into mergers or other business combinations. If non-guarantors and joint ventures engage in any of these activities, their actions could reduce the amount of cash the we will have available to us to fund payments of principal and interest on the Notes when due and to comply with our other obligations under the Notes, and could reduce the amount of our assets that would be available to satisfy your claims should we default on the Notes.

The liens securing the Notes will provide holders of the Notes with a secured claim only to the extent of the value of the assets that have been granted as security for the Notes and we may be able to incur additional secured indebtedness.

Substantially all the assets owned by the Issuer and the Guarantors, and all proceeds therefrom, are subject to first-priority liens in favor of the collateral agent for the benefit of the trustee and the holders of the Notes pursuant to the security documents entered into, and the mortgages delivered, in connection with the Existing Notes. Under the indenture governing the Notes and the indentures governing our other outstanding debt instruments, we may incur additional secured debt, including debt that is secured by assets that are not pledged to the holders of Notes or secured on a parity basis or, as described below, on an effectively senior basis. Any such indebtedness may further limit the recovery of the value of such collateral to satisfy the claims of the holders of the Notes. For example, the indenture governing the Notes requires (except with respect to certain assets excluded from the collateral securing the Notes, including $25.0 million of cash and cash equivalents collateralizing letters of credit or similar instruments) that the holders of the Notes have a security interest in the L/C Collateral that collateralizes such letter of credit agreements and facilities and any future agreements, facilities or similar instruments, but that such liens will be on a basis that is junior to the lien granted to the applicable issuing bank. Accordingly, upon an enforcement event or insolvency proceeding, proceeds from such L/C Collateral will be applied first to satisfy such letter of credit obligations and then to satisfy the obligations on the Notes.

The fair market value of real property and other collateral securing the Notes is subject to fluctuations based on factors that include, among others, the condition of the homebuilding industry, our ability to implement our business strategy, the ability to sell the collateral in an orderly sale, general economic conditions, the availability of buyers and similar factors. In addition, courts could limit recoverability if they apply non-New York law to a proceeding and deem a portion of the interest claim usurious in violation of public policy. The amount to be received upon a sale of any collateral would be dependent on numerous factors, including, but not limited, to the actual fair market value of the collateral at such time and the timing and the manner of the sale. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the collateral is less than the amount of principal and accrued and unpaid interest on the Notes and all other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the collateral will be sufficient to pay our obligations due under the Notes.

In addition, not all of our assets secure the Notes. With respect to those assets that are not part of the collateral securing the Notes but which secure other obligations, the Notes will be effectively junior to these obligations to the extent of the value of such assets. See Description of Notes Security. For example, the collateral does not include:

pledges of stock of Guarantors to the extent they would result in the filing of separate financial statements of such Guarantor being required in SEC filings;

personal property where the cost of obtaining a security interest or perfection thereof exceeds its benefits;

real property subject to a lien securing indebtedness incurred for the purpose of financing the acquisition thereof;

real property located outside of the United States;

unentitled land;

real property which is leased or held for the purpose of leasing to unaffiliated third parties;

equity interests in subsidiaries other than restricted subsidiaries, subject to future grants under certain circumstances as required under the indenture;

any real property in a community under development with a dollar amount of investment as of the most recent month-end (determined in accordance with GAAP) of less than $2.0 million or with less than 10 lots remaining;

up to $50.0 million of assets received in certain asset dispositions or asset swaps or exchanges made in accordance with the indenture;

assets with respect to which any applicable law or contract prohibits the creation or perfection of security interests therein; and

up to $25.0 million of L/C Collateral, provided that we will use commercially reasonable efforts to obtain the necessary consent of the banks issuing the letters of credit in order to have such L/C Collateral secure the Notes.

In addition, the Issuer and the Guarantors are not required to provide control agreements with respect to certain deposit, checking or securities accounts with average balances below a certain dollar amount.

To the extent that the claims of the holders of the Notes exceed the value of the assets securing those Notes, those claims will rank equally with the claims of the holders of our outstanding secured and unsecured senior notes and any other unsubordinated indebtedness. As a result, if the value of the assets pledged as security for the Notes is less than the value of the claims of the holders of the Notes, those claims may not be satisfied in full.

Absent the occurrence and continuance of an event of default under the indenture governing the Notes, we have control over the collateral, and the sale of particular assets by us could reduce the pool of assets securing the Notes and the guarantees thereof.

Absent the occurrence and continuance of any event of default under the indenture governing the Notes, the indenture and the security documents relating to the collateral allow us to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral securing the Notes and the guarantees.

Your rights to the collateral securing the Notes and the guarantees thereof may be adversely affected by the failure to perfect security interests in the collateral and other issues generally associated with the realization of security interests in collateral.

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, can only be perfected at the time such property and rights are acquired and identified. The indenture governing the Notes and the security documents provide that at any time the Issuer or the Guarantors of the Notes acquires property that is required to be pledged as collateral that is not automatically subject to a perfected security interest under the security documents or a subsidiary becomes a Guarantor, then the Issuer or Guarantor will, as soon as practical after such property s acquisition, provide

security over such property (or, in the case of a new Guarantor, all of its assets that are required to be pledged as collateral) in favor of the collateral agent and cause the lien granted to be duly perfected. See Description of Notes Security General.

There can be no assurance that the trustee or the collateral agent for the Notes will monitor the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The collateral agent for the Notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of the Notes and the guarantees against third parties.

In addition, the security interest of the collateral agent will be subject to practical challenges generally associated with the realization of security interests in collateral. For example, the collateral agent may need to obtain the consent of a third party to obtain or enforce a security interest in a contract. We cannot assure you that the collateral agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the collateral agent may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

There are circumstances other than repayment, defeasance or discharge of the Notes under which the collateral securing the Notes and guarantees thereof will be released automatically, without your consent or the consent of the trustee or collateral agent.

Under various circumstances, collateral securing the Notes will be released automatically, including a sale, transfer or other disposal of such collateral in a transaction not prohibited under the indenture and, with respect to collateral held by a Guarantor, upon the release of such Guarantor from its guarantee.

In addition, the guarantee of a Guarantor will be automatically released to the extent it is released in connection with a sale of such Guarantor in a transaction not prohibited by the indenture.

The indenture also permits, subject to the terms of the Indenture, us to designate one or more of our restricted subsidiaries that is a Guarantor of the Notes as an unrestricted subsidiary. If we designate a Guarantor as an unrestricted subsidiary for purposes of the indenture governing the Notes, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries and any guarantees of the Notes by such subsidiary or any of its subsidiaries will be released under the indenture governing the Notes. Designation of an unrestricted subsidiary will reduce the aggregate value of the collateral securing the Notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a senior claim on the assets of such unrestricted subsidiary and its subsidiaries.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our other indebtedness and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our other indebtedness, or if we otherwise fail to comply with the various covenants in our debt instruments, we could be in default under the terms of the agreements governing our other indebtedness. In the event of such default,

- the holders of such indebtedness may be able to cause all of our available cash flow to be used to pay such indebtedness and, in any event, could elect to declare all the funds borrowed thereunder to be due and payable,

together with accrued and unpaid interest; and/or

we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to amend or modify the agreements governing our other indebtedness or seek concessions from the holders of such indebtedness.

In the event of our bankruptcy, the ability of the holders of the Notes to realize upon the collateral will be subject to certain bankruptcy law limitations.

The ability of holders of the Notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of our bankruptcy. Under federal bankruptcy law, secured creditors are prohibited from repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval, which may not be given. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to use and expend collateral, including cash collateral, and to provide liens senior to the collateral agent for the Notes liens to secure indebtedness incurred after the commencement of a bankruptcy case, provided that the secured creditor either consents or is given adequate protection. Adequate protection could include cash payments or the granting of additional security, if and at such times as the presiding court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition of the collateral during the pendency of the bankruptcy case, the use of collateral (including cash collateral) and the incurrence of such senior indebtedness. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a U.S. bankruptcy court, we cannot predict whether or when the collateral agent under the indenture for the Notes could foreclose upon or sell the collateral, or whether the holders of the Notes will be fully compensated for any delay in payment or loss of value of the collateral through the provision of adequate protection, except to the extent of any grant of additional liens. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us, holders of the Notes will only be entitled to post-petition interest and adequate protection under the bankruptcy code to the extent that the value of their security interest in the collateral is greater than their pre-bankruptcy claim. Holders of the Notes that have a security interest in collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest or adequate protection under the bankruptcy code. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be recharacterized by a bankruptcy court as a reduction of the principal amount of the secured claims with respect to the Notes. No appraisal of the fair market value of the collateral has been prepared in connection with this offering and we therefore cannot assure you that the value of the collateral equals or exceeds the principal amount of the Notes.

Security over certain collateral may not be in place on the issue date of the New Notes and we will have a limited obligation to record mortgage modifications in connection with such collateral. In addition, the priority of the security interests of the existing mortgages in so far as they secure the New Notes will not, in almost all cases, relate back to the date of the original recording of such mortgages.

Certain security may not be in place on the issue date of the New Notes or will not be perfected on such date. In particular, we believe that in most jurisdictions the New Notes constitute secured obligations under the mortgages delivered in connection with the Existing Notes. We do not intend to record modifications to such mortgages in any jurisdiction unless local counsel in such jurisdiction advises that without recording a modification in the real property records, the New Notes will not be secured by the existing mortgage(s) recorded in such jurisdiction, in which case we will record such modifications no later than 120 days after the issue date of the New Notes. Local counsel in Florida, Georgia, Minnesota, New Jersey, North Carolina and Virginia have indicated, and others may indicate, that mortgage modifications will (or depending on mortgage tax analysis, may) be required. As a result, perfection of security interests under existing mortgages in such jurisdictions may not occur immediately or for some time. Consequently, if a default should occur prior to the perfection of such security interests, holders of the New Notes may not benefit from such security interests. Furthermore, the liens securing the Notes are not insured by title insurance and no title comprehensive lien searches will be performed to confirm that no liens not permitted to exist under the Indenture

exist, including those that have arisen from and after October 20, 2009.

In addition, although we believe that in most jurisdictions the New Notes constitute secured obligations under the mortgages delivered in connection with the Existing Notes, the priority of the security interests of such mortgages in so far as they secure the New Notes will not, in almost all cases, relate back to the date of the original recording of such mortgages. Consequently, with respect to the assets encumbered by such mortgages, the New Notes may, in certain circumstances, be effectively subordinated to any of the Issuer s or any Guarantor s debt that is secured by security interests that are perfected prior to the issue date of the New Notes (or such later date that the security interests of the New Notes are perfected). In such circumstances, we would expect bankruptcy courts to treat the holders of the Existing Notes and the holders of the New Notes as a single class, and to subordinate a pro rata portion of the claim of all holders of Notes to claims secured by the intervening security interests to the extent of the value of the assets securing such claims.

Any future grant of collateral might be avoidable by a trustee in bankruptcy.

Any future grant of collateral in favor of the collateral agent for the benefit of the trustee might be avoidable by the grantor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the grantor is insolvent at the time of the grant, the grant permits the holders of the Notes to receive a greater recovery than if the grant had not been given and a bankruptcy proceeding in respect of the grantor is commenced within 90 days following the grant or, in certain circumstances, a longer period. A substantial portion of the collateral constitutes inventory of real estate. As the inventory is sold and new inventory is acquired, the granting of liens on the new inventory will trigger a new 90 day preference period. It is possible, particularly during a time when our inventory is turning over quickly, that liens on a substantial portion of the collateral at any time may have been granted during the preceding 90 day period.

Corporate benefit laws and other limitations on guarantees and security interests may adversely affect the validity and enforceability of the guarantees of the Notes and the security granted by the Guarantors.

The guarantees of the Notes by the Guarantors and security granted by such Guarantors provide the holders of the Notes with a direct claim against the assets of the Guarantors. Each of the guarantees and the amount recoverable under the security documents, however, will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor without rendering the guarantee or security interest, as it relates to that Guarantor, voidable or otherwise ineffective under applicable law. This limit may not be effective to protect the guarantees from being voided under fraudulent transfer laws or may eliminate any Guarantor s Obligations or reduce such obligations to an amount that effectively makes the guarantee worthless. In addition, enforcement of any of these guarantees or security interest against any Guarantor will be subject to certain defenses available to Guarantors and security providers generally. These laws and defenses include those that relate to fraudulent conveyance or transfer, voidable preference, corporate purpose or benefit, preservation of share capital, thin capitalization and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its guarantee or the security documents to which it is a party.

Federal and state laws allow courts, under specific circumstances, to void guarantees and grants of security and to require you to return payments received from Guarantors.

Under U.S. federal bankruptcy law or comparable provisions of state fraudulent transfer laws, future creditors of any Guarantor could void the issuance of the related guarantees and the grant of security by the Guarantors or subordinate such obligations or liens to all other debts and liabilities of such Guarantor, if such creditors were successful in establishing that:

- the guarantee or grant of security was incurred with fraudulent intent; or

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the Guarantor did not receive fair consideration or reasonably equivalent value for issuing its guarantee or grant of security and

was insolvent at the time of the guarantee or grant;

was rendered insolvent by reason of the guarantee or grant;

was engaged in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or

intended to incur, or believed that it would incur, debt beyond its ability to pay such debt as it matured.

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

the sum of the company s debts, including contingent, unliquidated and unmatured liabilities, is greater than all of such company s property at a fair valuation; or

if the present fair saleable value of the company s assets is less than the amount that will be required to pay the probable liability on its existing debts as they become absolute and matured.

We cannot assure you as to what standard a court would apply in order to determine whether a Guarantor was insolvent as of the date its guarantee or grant of a security interest was issued, and we cannot assure you that, regardless of the method of valuation, a court would not determine that such Guarantors were insolvent on such date. Guarantees issued by Hovnanian s subsidiaries could be subject to the claim that, since the guarantees and grant of security interest were incurred for the benefit of the Issuer and Hovnanian, and only indirectly for the benefit of the other Guarantors, the obligations of the Guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration.

Federal, state, and local environmental laws may decrease the value of the collateral securing the Notes and may result in you being liable for environmental cleanup costs at our facilities.

The Notes and guarantees are secured by liens on real property that may be subject to both known and unknown environmental risks, and these risks may reduce or eliminate the value of the real property pledged as collateral for the Notes and the guarantees or adversely affect the ability of the debtor to repay the Notes. See Risks Related to our Business Homebuilders are subject to a number of federal, local, state and foreign laws and regulations concerning the development of land, the homebuilding, sales and customer financing processes and protection of the environment, which can cause us to incur delays and costs associated with compliance and which can prohibit or restrict our activity in some regions or areas and Business Regulation and Environmental Matters in our Annual Report on Form 10-K for the year ended October 31, 2010, which is incorporated by reference herein.

Moreover, under some federal and state environmental laws, a secured lender may in some situations become subject to its debtor s environmental liabilities, including liabilities arising out of contamination at or from the debtor s properties. Such liability can arise before foreclosure, if the secured lender becomes sufficiently involved in the management of the affected facility. Similarly, when a secured lender forecloses and takes title to a contaminated facility or property, the lender could become subject to such liabilities. Before taking some actions, the collateral agent for the Notes may request that you provide for its reimbursement for any of its costs, expenses and liabilities.

Cleanup costs could become a liability of the collateral agent for the Notes, and, if you agree to provide for the collateral agent s costs, expenses and liabilities, you could be required to help repay those costs. You may agree to indemnify the collateral agent for the Notes for its costs, expenses and liabilities before you or the collateral agent knows what those amounts ultimately will be. If you agree to this indemnification without sufficient limitations, you could be required to pay the collateral agent an amount that is greater than the amount you paid for the Notes. In addition, rather than acting through the collateral agent, you may in some circumstances act directly to pursue

a remedy under the indenture. If you exercise that right, you could be considered to be a lender and be subject to the risks discussed above.

We may not have the funds necessary to finance any change of control offer required by the indenture.

If a change of control occurs as described under Description of Notes Certain covenants Repurchase of Notes upon Change of Control, the Issuer would be required to offer to purchase your Notes at 101% of their principal amount together with all accrued and unpaid interest, if any, to the date of purchase. If a purchase offer obligation were to arise under the indenture governing your Notes, a change of control would have also occurred under the indentures governing the Issuer s other outstanding indebtedness. Furthermore, any of the Issuer s future debt agreements may contain similar restrictions and provisions. If a purchase offer were required, the Issuer may not have sufficient funds to pay the purchase price for all indebtedness required to be repurchased. We do not currently have sufficient funds available to purchase all of such outstanding debt.

An active trading market may not develop for the Notes.

There is no active public trading market for the Notes. The Issuer has not and does not intend to apply for listing of the Notes on a security exchange. We cannot assure you that an active trading market will develop for the Notes. In addition, the liquidity of the trading market in the Notes and the market prices quoted for the Notes may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, an active trading market may not develop for your Notes, you may not be able to sell your Notes, or, even if you can sell your Notes, you may not be able to sell them at an acceptable price.

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USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $11.6 million, after deducting underwriting discounts and estimated transaction expenses payable by us. We intend to use the net proceeds from this offering together with cash on hand to fund the Redemptions and to pay related fees and expenses.

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CAPITALIZATION

The following table sets forth our capitalization as of January 31, 2011 and on an as adjusted basis to give effect to (i) the February 2011 Transactions and (ii) this offering and the application of the estimated net proceeds from this offering together with cash on hand to fund the Redemptions and pay related fees and expenses.

This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K/A incorporated by reference herein and our financial statements and related notes incorporated by reference herein.

	As of January 31, 2011	
	Actual	As Adjusted
	(Unaudited) (In thousands)	
Homebuilding Cash and Cash Equivalents, Excluding Restricted Cash	$ 311,032	$ 434,067
Restricted Cash(1)	105,579	105,579
Total Homebuilding Cash and Cash Equivalents(2)	$ 416,611	$ 539,646
Debt(3):		
Nonrecourse Land Mortgages	20,946	20,946
Nonrecourse Mortgages Secured by Operating Property	20,435	20,435
105/8% Senior Secured Notes due 2016		
Existing Notes	772,801	772,801
New Notes offered hereby(4)		12,660
Total	772,801	785,461
111/2 Senior Secured Notes due 2013	476	
18% Senior Secured Notes due 2017	11,702	
8% Senior Notes due 2012	35,488	
61/2% Senior Notes due 2014	54,373	54,373
63/8% Senior Notes due 2014	29,214	29,214
61/4% Senior Notes due 2015	52,720	52,720
117/8% Senior Notes due 2015		151,052
61/4% Senior Notes due 2016	171,680	171,680
71/2% Senior Notes due 2016	172,269	172,269
85/8% Senior Notes due 2017	195,918	195,918
87/8% Senior Subordinated Notes due 2012	66,639	
73/4% Senior Subordinated Notes due 2013	53,531	
12.072% Senior Subordinated Notes due 2014(5)		15,615
Total Debt(3)	$ 1,658,192	$ 1,669,683
Equity:		
Preferred Stock, $.01 par value; 100,000 Shares authorized; 5,600 Shares of 7.625% Series A Preferred Stock issued at January 31, 2011 with a liquidation	$ 135,299	$ 135,299

preference of $140,000				
Common Stock, Class A, $.01 par value; 200,000,000 Shares authorized; 75,189,506 Shares issued at January 31, 2011, actual (including 11,694,720 shares held in treasury) and 88,702,006 Shares issued as adjusted (including 11,694,720 Shares held in treasury)(6)		752		887
Common Stock, Class B, $.01 par value (Convertible to Class A at time of sale); 30,000,000 Shares authorized; 15,255,969 Shares issued at January 31, 2011 (including 691,748 Shares held in treasury)		153		153
Paid in Capital Common Stock(7)		464,579		587,614
Accumulated Deficit		(887,561)		(889,446)
Treasury Stock at Cost		(115,257)		(115,257)
Total Hovnanian Enterprises, Inc. Stockholders Equity Deficit		(402,035)		(280,750)
Noncontrolling Interest in Consolidated Joint Ventures		736		736
Total Equity Deficit(6)	$	(401,299)	$	(280,014)
Total Capitalization	$	1,256,893	$	1,389,669

(1) As of January 31, 2011, Restricted Cash includes $88.3 million of cash collateralizing our letter of credit agreements and facilities, $14.5 million of cash collateralizing our surety bonds and $2.8 million for customers deposits, which are restricted from our use.

(2) As of January 31, 2011, cash of the Issuer and the Guarantors collateralizing our secured indebtedness was $273.3 million (which includes $88.3 million of restricted cash collateralizing certain letters of credit).

(3) References to our consolidated debt in this prospectus supplement exclude debt under our secured master repurchase agreements, which are short-term borrowing facilities used by our mortgage banking subsidiary. As of January 31, 2011, the aggregate principal amount of all borrowings under such secured master repurchase agreements was $24.1 million.

(4) As adjusted, reflects the $12.0 million aggregate principal amount of New Notes issued at a price of 105.5% resulting in approximately $12.7 million of gross proceeds. The $0.7 million premium will amortize over the life of the Notes and reduce interest expense. Does not reflect the underwriter s discount.

(5) As adjusted reflects the initial aggregate principal amount of the amortizing notes that are initially components of the Units offered in the February 2011 Units Offering and does not reflect amortization of principal to date.

(6) As adjusted, (a) includes shares of our Class A common stock issued in the February 2011 Common Stock Offering and (b) excludes shares of our Class A common stock issuable, as well as shares that have been issued to date, upon settlement of the purchase contracts that are initially components of the Units offered in the February 2011 Units Offering.

(7) We have accounted for the purchase contracts that are components of the Units offered in the February 2011 Units Offering as equity and recorded $68.3 million, the initial fair value of these contracts, as additional paid in capital as of January 31, 2011.

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DESCRIPTION OF NOTES

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

The Notes will be issued under the indenture, dated as of October 20, 2009, among the Issuer, the Guarantors and Wilmington Trust Company, a Delaware banking corporation, as trustee (the **Trustee**), as supplemented by a supplemental indenture to be dated the issue date of the New Notes (as supplemented, the **Indenture**). We will issue $12.0 million of 105/8% Senior Secured Notes due 2016 (the **New Notes**) under the Indenture. There are $785 million aggregate principal amount of 105/8% Senior Secured Notes due 2016 (the **Existing Notes**) already outstanding under the Indenture. As a result, the term **Issue Date** refers to October 20, 2009, the date of issue of the Existing Notes. As used in this Description of Notes , except as otherwise specified, the term **Notes** means the Existing Notes together with the New Notes. All such Notes will vote together and will be treated as a single class for all purposes of the Indenture. The following is a summary of the material terms and provisions of the Notes. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the **Trust Indenture Act**), as in effect on the date of the Indenture. The Notes are subject to all such terms, and prospective purchasers of the Notes are referred to the Indenture and the Trust Indenture Act for a statement of such terms.

This description of the Notes contains definitions of terms, including those defined under the caption Definitions of certain terms used in the Indenture. Capitalized terms that are used but not otherwise defined herein have the meanings assigned to them in the Indenture.

General

The New Notes will bear interest from April 15, 2011 at the rate of 105/8% *per annum* and the initial offering price of the New Notes will include accrued interest from April 15, 2011 to the date of issuance of the New Notes. Interest will be payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2011, to Holders of record at the close of business on April 1 or October 1, as the case may be, immediately preceding each such interest payment date. The Notes will mature on October 15, 2016, and will be issued in denominations of $2,000 and higher integral multiples of $1,000. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Subject to the covenants described below, including Limitations on indebtedness and Limitations on liens, the Issuer may issue Notes under the Indenture having the same terms in all respects as the Notes except that interest may accrue on the additional notes **(** **Additional Notes**) from their date of issuance. The New Notes offered hereby constitute Additional Notes under the Indenture. The Notes offered hereby and any Additional Notes would be treated as a single class for all purposes under the Indenture and will vote together as one class on all matters with respect to the Notes.

The Notes will be guaranteed by the Company and each of the Guarantors (together, the **Guarantors**) pursuant to the Guarantees (the **Guarantees**) described below.