

K HOVNANIAN ENTERPRISES INC

Form 424B3

May 28, 2009

Table of Contents

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-158356**

PROSPECTUS

**\$29,299,000
K. Hovnanian Enterprises, Inc.
Fully and Unconditionally Guaranteed by
Hovnanian Enterprises, Inc.
And the Subsidiary Guarantors described herein**

**Offer to Exchange All Outstanding
18.0% Senior Secured Notes due 2017
(\$29,299,000 aggregate principal amount outstanding)
for 18.0% Senior Secured Notes due 2017, which have been registered
under the Securities Act of 1933**

The Exchange Offer Will Expire at 5:00 p.m., New York City Time, on June 30, 2009, Unless Extended

The Exchange Offer:

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time, on June 30, 2009, unless extended. We do not currently intend to extend the expiration date.

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The Exchange Notes:

The exchange notes are being offered in order to satisfy some of our obligations under the registration rights agreement entered into in connection with the placement of the outstanding notes.

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradeable.

The Exchange Guarantees:

Hovnanian Enterprises, Inc., the parent company of the issuer of the exchange notes, K. Hovnanian Enterprises, Inc., and each of its wholly-owned subsidiaries, other than the issuer and certain of Hovnanian Enterprises, Inc.'s financial service subsidiaries and joint ventures, will fully and unconditionally guarantee our obligations under the exchange notes.

Resales of Exchange Notes:

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

You should consider carefully the Risk Factors beginning on page 14 of this prospectus before participating in the exchange offer.

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

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

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

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

This prospectus is dated May 27, 2009.

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	14
<u>Ratio of Earnings to Fixed Charges</u>	31
<u>Use of Proceeds</u>	32
<u>Capitalization</u>	33
<u>Selected Historical Consolidated Financial Data</u>	34
<u>The Exchange Offer</u>	35
<u>Description of Notes</u>	46
<u>Exchange Offer: Registration Rights</u>	86
<u>Book-Entry, Delivery and Form</u>	88
<u>United States Federal Income Tax Consequences of the Exchange Offer</u>	91
<u>Plan of Distribution</u>	92
<u>Legal Matters</u>	93
<u>Experts</u>	93
<u>Available Information</u>	93
<u>Incorporation of Certain Documents by Reference</u>	93

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

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

Issuer or **K. Hovnanian** means K. Hovnanian Enterprises, Inc., a California corporation;

Hovnanian, us, we, our or Company means Hovnanian Enterprises, Inc., a Delaware corporation, together with its consolidated subsidiaries, including K. Hovnanian;

Revolving Credit Agreement means our Seventh Amended and Restated Credit Agreement dated as of March 7, 2008, as amended by Amendment No. 1 thereto dated as of May 16, 2008;

Second Lien Notes means our 11 1/2% Senior Secured Notes due 2013;

outstanding notes means the \$29,299,000 aggregate principal amount of 18.0% Senior Secured Notes due 2017, which were issued on December 3, 2008;

exchange notes means the \$29,299,000 aggregate principal amount of 18.0% Senior Secured Notes due 2017, which we are offering in this exchange offer; and

notes means both the outstanding notes and the exchange notes offered hereby.

This prospectus incorporates important business and financial information about the company that is not included in or delivered with the document. Hovnanian will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the information incorporated by reference in this prospectus, other than exhibits to such information (unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests for such copies should be directed to Paul W. Buchanan, Senior Vice

Table of Contents

President and Chief Accounting Officer, Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, (telephone: (732) 747-7800). To obtain timely delivery, security holders must request the information no later than five business days before June 30, 2009, the expiration date of the exchange offer.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements including, in particular, the statements about our plans, strategies and prospects. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although we believe that our plans, intentions and expectations reflected in, or suggested by such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. Such risks, uncertainties and other factors include, but are not limited to, (1) changes in general and local economic and industry and business conditions, (2) adverse weather conditions and natural disasters, (3) changes in market conditions and seasonality of the Company's business, (4) changes in home prices and sales activity in the markets where the Company builds homes, (5) government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, and the environment, (6) fluctuations in interest rates and the availability of mortgage financing, (7) shortages in, and price fluctuations of, raw materials and labor, (8) the availability and cost of suitable land and improved lots, (9) levels of competition, (10) availability of financing to the Company, (11) utility shortages and outages or rate fluctuations, (12) levels of indebtedness and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness; (13) operations through joint ventures with third parties; (14) product liability litigation and warranty claims; (15) successful identification and integration of acquisitions; (16) significant influence of the Company's controlling stockholders; (17) geopolitical risks, terrorist acts and other acts of war; and (18) other factors described in detail in our Form 10-K for the year ended October 31, 2008, our Form 10-Q for the quarter ended January 31, 2009 and in this prospectus under Risk Factors. All forward-looking statements attributable to the Company or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this prospectus. 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.

Table of Contents

PROSPECTUS SUMMARY

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

The Company

We design, construct, market and sell single-family detached homes, attached townhomes and condominiums, mid-rise and high-rise condominiums, urban infill and active adult homes in planned residential developments and are one of the nation's largest builders of residential homes. 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 282,000 homes, including 1,283 homes in the three months ended January 31, 2009. 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 245 communities in 44 markets in 18 states throughout the United States. 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 \$36,000 (low income housing) to \$2,455,000 with an average sales price, including options, of \$300,000 nationwide in fiscal 2008.

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

The following is a summary of our growth history:

1959 Founded by Kevork Hovnanian as a New Jersey homebuilder.

1983 Completed initial public offering.

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

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

1994 Entered the Coastal Southern California market.

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

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

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

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

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

2004 Entered the greater Tampa, Florida market through the acquisition of Windward Homes, and started operations in the Minneapolis/St. Paul, Minnesota market.

Table of Contents

2005 Entered the Orlando, Florida market through our acquisition of Cambridge Homes and entered the greater Chicago, Illinois market and expanded our position in Florida and Minnesota through the acquisition of the operations of Town & Country Homes, which occurred concurrently with our entering into a joint venture with affiliates of Blackstone Real Estate Advisors to own and develop Town & Country's existing residential communities. We also entered the Fort Myers market through the acquisition of First Home Builders of Florida, and the Cleveland, Ohio market through the acquisition of Oster Homes.

2006 Entered the coastal markets of South Carolina and Georgia through the acquisition of Craftbuilt Homes.

Hovnanian markets and builds homes that are constructed in 23 of the nation's top 50 housing markets. We segregate our homebuilding operations geographically into the following six segments:

Northeast: New Jersey, New York, Pennsylvania

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

Midwest: Illinois, Kentucky, Minnesota, Ohio

Southeast: Florida, Georgia, North Carolina, South Carolina

Southwest: Arizona, Texas

West: California

We employed approximately 2,816 full-time employees (which we refer to as associates) as of October 31, 2008.

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 website address is www.khov.com. Information on our website is not a part of, or incorporated by reference in, this prospectus.

Table of Contents

Summary of the Terms of the Exchange Offer

On December 3, 2008, K. Hovnanian completed a private offering of the outstanding notes.

General

In connection with the private offering of the outstanding notes, we entered into a registration rights agreement in which the Issuer and the guarantors agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the outstanding notes within the time period specified in the registration rights agreement. See Exchange Offer; Registration Rights.

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

the exchange notes have been registered under the Securities Act of 1933, as amended, which we refer to as the Securities Act ;

the exchange notes are not entitled to certain registration rights which are applicable to the outstanding notes under the registration rights agreement; and

certain additional interest rate provisions are no longer applicable.

Outstanding Notes

\$29,299,000 aggregate principal amount of 18.0% Senior Secured Notes due 2017, which were issued on December 3, 2008.

Exchange Notes

\$29,299,000 aggregate principal amount of 18.0% Senior Secured Notes due 2017, which we are offering in this exchange offer.

The Exchange Offer

We are offering to exchange up to \$29,299,000 aggregate principal amount of our exchange notes, which have been registered under the Securities Act, for a like aggregate principal amount of the outstanding notes. You may only exchange outstanding notes in denominations of \$2,000 and higher integral multiples of \$1,000.

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

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

Resales

Based on interpretations by the staff of the Securities and Exchange Commission, or the SEC, set forth in no-action letters issued to third parties referred to below, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offer without complying

with the registration and prospectus delivery requirements of the Securities Act, if:

(1) you are not an affiliate of K. Hovnanian or any guarantor of the notes within the meaning of Rule 405 under the Securities Act;

(2) you are not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and

Table of Contents

(3) you are acquiring the exchange notes in the ordinary course of your business.

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

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

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

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

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on June 30, 2009 unless extended by us. We do not currently intend to extend the expiration date.

Withdrawal

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

Interest on the Exchange Notes and the Outstanding Notes

Each exchange note will bear interest at the rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from December 3, 2008. The interest will be payable semi-annually on each May 1 and November 1, beginning May 1, 2009. No interest will be paid on outstanding notes following their acceptance for exchange.

Conditions to the Exchange Offer

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

Procedures for Tendering Outstanding
Notes

If you wish to participate in the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must

Table of Contents

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

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

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

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

Guaranteed Delivery Procedures If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal and any other documents required by the letter of transmittal or you cannot comply with the DTC procedures for book-entry transfer prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under **The Exchange Offer** **Guaranteed Delivery Procedures**.

Effect on Holders of Outstanding Notes	In connection with the sale of the outstanding notes, we entered into a registration rights agreement, which grants the holders of
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Table of Contents

outstanding notes registration rights. By making this exchange offer, we will have fulfilled most of our obligations under the registration rights agreement. Accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the indenture, except we will not have any further obligation to you to provide for the registration of the outstanding notes under the registration rights agreement and we will not be obligated to pay additional interest as described in the registration rights agreement, except in certain limited circumstances. See Exchange Offer; Registration Rights.

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

Consequences of Failure to Exchange

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the outstanding notes under the Securities Act.

Certain Income Tax Considerations

The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for United States federal income tax purposes. See United States Federal Income Tax Consequences of the Exchange Offer.

Use of Proceeds

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

Exchange Agent

Wilmington Trust Company, whose address and telephone number is set forth in the section captioned The Exchange Offer Exchange Agent of this prospectus, is the exchange agent for the exchange offer.

Table of Contents

Summary of the Terms of the Exchange Notes

The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreement. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be governed by the same indenture under which the outstanding notes were issued and the exchange notes and the outstanding notes will constitute a single class and series of notes for all purposes under the indenture.

Issuer	K. Hovnanian Enterprises, Inc.
Notes Offered	We are offering \$29,299,000 aggregate principal amount of 18.0% Senior Secured Notes due 2017.
Maturity Date	May 1, 2017.
Interest Payment Dates	Each May 1 and November 1, beginning May 1, 2009.
Optional Redemption	We may redeem some or all of the notes at any time on or after May 1, 2011, 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 May 1, 2011 with the net cash proceeds from certain equity offerings at a price equal to 118.0% 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, 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 substantially all of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make the payments instead. As of the date of this prospectus, our home mortgage subsidiaries, our joint ventures and certain of our title insurance subsidiaries are not guarantors or restricted subsidiaries.
Ranking	<p>The exchange notes and the guarantees thereof will be the Issuer's and the guarantors' general senior secured obligations and will:</p> <p>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;</p> <p>rank equally in right of payment to all of the Issuer's and the guarantors' existing and future unsubordinated debt and, together with indebtedness</p>

under our Revolving Credit Agreement, the Second Lien Notes and any other secured obligations, effectively senior in right of payment to all the Issuer's and the guarantors' existing and future unsecured debt to the extent of the value of the collateral;

be effectively subordinated to the Issuer's and the guarantors' debt that is secured by priority liens on the collateral, including

Table of Contents

indebtedness under our Revolving Credit Agreement and the Second Lien Notes to the extent of the value of the collateral; and

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

At January 31, 2009, the Issuer and the guarantors had:

approximately \$629.3 million of secured indebtedness outstanding (\$624.3 million, net of discount), including the outstanding notes;

approximately \$1,414.2 million of senior unsecured notes (\$1,410.8 million, net of discount);

approximately \$376.1 million of senior subordinated notes; and

no amounts drawn under the Revolving Credit Agreement, excluding letters of credit totaling approximately \$168.2 million.

Under the covenants of our indentures governing our senior secured, senior and senior subordinated notes, our ability to incur additional debt is currently limited (because our consolidated fixed charge coverage ratio would be below 2.0 to 1.0) to certain permitted debt. Under the most restrictive of the covenants, the amount of additional long-term debt we could incur is \$182.0 million. We may also incur certain other types of indebtedness such as non-recourse indebtedness and purchase money indebtedness as described under Description of Notes Certain covenants Limitations on indebtedness .

In addition, as of January 31, 2009, our non-guarantor subsidiaries had approximately \$79.1 million of liabilities, including trade payables, but excluding intercompany obligations.

See the section Description of Notes Ranking.

Collateral

The exchange notes and the guarantees thereof will be secured by a third-priority lien on substantially all the assets owned by the Issuer and the guarantors on December 3, 2008 or thereafter acquired to the extent such assets secure obligations under the Revolving Credit Agreement and the Second Lien Notes. The obligations under our Revolving Credit Agreement are secured by a first-priority lien and the obligations under the Second Lien Notes are secured by a second-priority lien on the same assets that secure the outstanding notes.

As of January 31, 2009, the aggregate book value of the real property collateral securing the outstanding notes was approximately \$1.339 billion, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may

differ from the appraised value. In addition, cash collateral securing the outstanding notes was \$856.1 million as of January 31, 2009. The incremental value of the stock of subsidiary guarantors that is pledged as collateral to secure the outstanding notes is not meaningful because the underlying assets of such guarantors have been separately pledged as collateral.

Table of Contents

The collateral will not include:

the pledge of stock of guarantors to the extent such pledge would result in separate financial statements of such guarantor being required in SEC filings (which stock will be pledged to secure the Revolving Credit Agreement but not the Second Lien Notes);

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

any other assets excluded from the collateral securing (i) the Revolving Credit Agreement (and any other indebtedness or obligations secured by first-priority liens on the collateral) and (ii) the Second Lien Notes.

In addition, 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.

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

Intercreditor Agreement

Pursuant to an intercreditor agreement, the liens securing the notes will be third-priority liens that will be expressly junior in priority to the liens that secure (1) obligations under our Revolving Credit Agreement, (2) obligations under our Second Lien Notes, (3) certain other future indebtedness permitted to be incurred under the indenture governing the

notes and (4) certain obligations under our hedging arrangements. Pursuant to the intercreditor agreement, the liens securing the notes may not be enforced at any time when obligations secured by priority liens are outstanding, except for certain limited exceptions. Any release (except in connection with repayment in full of the priority lien obligations) of priority liens upon

Table of Contents

any collateral approved by holders of such priority liens will also release the liens securing the notes on the same collateral. The holders of the priority liens will receive all proceeds from any realization on the collateral or from the collateral or proceeds thereof in any insolvency or liquidation proceeding until the obligations secured by the priority liens are paid in full.

Sharing of Liens

In certain circumstances, we may secure specified indebtedness permitted to be incurred under the indenture governing the notes by granting liens upon any or all of the collateral securing the notes, including on an equal basis with the first-priority liens securing the Revolving Credit Agreement or on a *pari passu* or junior basis with respect to the notes.

Certain Covenants

The exchange notes will be issued under the same indenture as the outstanding notes were issued. The indenture contains covenants that, among other things, restrict the Issuer's ability and the ability of the guarantors to:

borrow money;

pay dividends and distributions on our common and preferred stock;

repurchase senior and senior subordinated notes and common and preferred stock;

make investments in subsidiaries and joint ventures that are not restricted;

sell certain assets;

incur certain liens;

merge with or into other companies; and

enter into certain transactions with our affiliates.

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

Absence of a Public Market

The exchange notes will generally be freely transferable (subject to certain restrictions discussed in "Exchange Offer; Registration Rights") but will be a new issue of securities for which there will not initially be a market. Accordingly, there can be no assurance as to the development or liquidity of any market for the exchange notes. We do not intend to apply for a listing of the exchange notes on any securities exchange or automated dealer quotation system.

Use of Proceeds

We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. For a description of the use of proceeds from

the private offering of the outstanding notes, see Use of Proceeds.

Table of Contents**Summary Financial Information**

The following table presents summary historical consolidated financial and other data of Hovnanian Enterprises, Inc. and subsidiaries as of and for the years ended October 31, 2008, 2007 and 2006 and the three months ended January 31, 2009 and 2008. The consolidated financial and other data for the years ended October 31, 2008, 2007 and 2006 have been derived from Hovnanian Enterprises, Inc.'s audited consolidated financial statements and the consolidated financial and other data for the three months ended January 31, 2009 and 2008 have been derived from Hovnanian Enterprises, Inc.'s unaudited consolidated financial statements. Operating results for the three months ended January 31, 2009 are not necessarily indicative of the results that may be expected for the entire year ending October 31, 2009. You should read this data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference herein and our consolidated financial statements and related notes incorporated by reference herein.

	Year Ended			Three Months Ended	
	October 31, 2008	October 31, 2007	October 31, 2006	January 31, 2009	January 31, 2008
	(Dollars in thousands, except per share data)				
Income Statement and Other Data					
Revenues	\$ 3,308,111	\$ 4,798,921	\$ 6,148,235	\$ 373,784	\$ 1,093,701
Inventory impairment loss and land option write-offs	\$ 710,120	\$ 457,773	\$ 336,204	\$ 110,181	\$ 90,168
Gain on extinguishment of debt				79,520	
(Loss) income from unconsolidated joint ventures	\$ (36,600)	\$ (28,223)	\$ 15,385	\$ (22,589)	\$ (5,039)
Pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt(1)	\$ (391,323)	\$ (20,887)	\$ 581,360	\$ (125,341)	\$ (74,619)
(Loss) income before income taxes	\$ (1,168,048)	\$ (646,966)	\$ 233,106	\$ (177,826)	\$ (168,794)
State and Federal income tax (benefit) provision	(43,458)	(19,847)	83,573	584	(37,851)
Net (loss) income	(1,124,590)	(627,119)	149,533	(178,410)	(130,943)
Less: preferred stock dividends		10,674	10,675		
Net (loss) income attributable to common stockholders	\$ (1,124,590)	\$ (637,793)	\$ 138,858	\$ (178,410)	\$ (130,943)
Per share data:					
Basic:					
(Loss) income per common share	\$ (16.04)	\$ (10.11)	\$ 2.21	\$ (2.29)	\$ (2.07)
Weighted average number of common shares outstanding	70,131	63,079	62,822	78,043	63,358
Assuming dilution:					

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(Loss) income per common share	\$	(16.04)	\$	(10.11)	\$	2.14	\$	(2.29)	\$	(2.07)
Weighted average number of common shares outstanding		70,131		63,079		64,838		78,043		63,358

- (1) Pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt is not a financial measure calculated in accordance with U.S. generally accepted accounting principles (GAAP). The most directly comparable GAAP financial measure is (loss) income before income taxes. The reconciliation of pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt to (loss) income before income taxes is presented below. Pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt should be considered in addition to, but not as a substitute for, (loss) income before income taxes, net (loss)

Table of Contents

income and other measures of financial performance prepared in accordance with GAAP that are presented on the financial statements and notes incorporated by reference herein. Additionally, our calculation of pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt may be different than the calculation used by other companies, and, therefore, comparability may be affected. Management believes pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt to be relevant and useful information because it provides a better metric for our operating performance.

Reconciliation of pre-tax (loss) income excluding land related charges, intangible impairments and gain on extinguishment of debt to (loss) income before income taxes:

	Year Ended		Three Months Ended	
October 31,	October 31,	October 31,	January 31,	January 31,
2008	2007	2006	2009	2008
(Dollars in thousands)				