

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

IN RE HOVNANIAN ENTERPRISES, INC.
SECURITIES LITIGATION

Civil Action No. 2:08-cv-00999
(SDW) (MCA)

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION
AND SETTLEMENT HEARING THEREON**

TO: ALL PERSONS AND ENTITIES WHO PURCHASED OR OTHERWISE ACQUIRED HOVNANIAN ENTERPRISES, INC. (“HOVNANIAN”) SECURITIES FROM JUNE 30, 2005 THROUGH DECEMBER 19, 2007, INCLUSIVE; ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED CALL OPTIONS ON HOVNANIAN SECURITIES DURING THE PERIOD FROM JUNE 30, 2005 THROUGH DECEMBER 19, 2007, INCLUSIVE; AND ALL PERSONS WHO SOLD OR OTHERWISE DISPOSED OF PUT OPTIONS ON HOVNANIAN SECURITIES DURING THE PERIOD FROM JUNE 30, 2005 THROUGH DECEMBER 19, 2007, INCLUSIVE.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM (“PROOF OF CLAIM”) POSTMARKED ON OR BEFORE FRIDAY, FEBRUARY 12, 2010.

IF YOU DO NOT WISH TO BE INCLUDED IN THE CLASS AND YOU DO NOT WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE TUESDAY, DECEMBER 1, 2009.

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This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the District of New Jersey (the "Court"). The purpose of this Notice is to inform you of the pendency and proposed Settlement of this litigation (the "Litigation") and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the Litigation or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and the Litigation.

The proposed Settlement creates a fund in the amount of \$4,000,000.00 in cash (the "Settlement Fund") and will include interest that accrues on the fund prior to distribution. Your recovery from this fund will depend on a number of variables, including your transactions in Hovnanian securities, call options, and put options during the period June 30, 2005 through December 19, 2007, inclusive, and the timing of your purchases and any sales. Depending on the purchases and sales engaged in by Settlement Class Members who elect to participate in the Settlement and when those transactions occurred, the estimated average distribution per share will be approximately \$0.04 before deduction of Court-approved fees and expenses.

Lead Plaintiffs and Defendants do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (1) the amount by which Hovnanian securities were allegedly artificially inflated (if at all) during the Settlement Class Period; (2) the effect of various market forces influencing the trading price of Hovnanian securities at various times during the Settlement Class Period; (3) the extent to which external factors, such as general market and industry conditions, influenced the trading price of Hovnanian securities at various times during the Settlement Class Period; (4) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Hovnanian securities at various times during the Settlement Class Period; (5) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of Hovnanian securities at various times during the Settlement Class Period; (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws; and, (7) whether even if liability could be proven, total damages would still be \$0, or \$0 per damaged share.

Lead Plaintiffs believe that the proposed Settlement is a good recovery and is in the best interests of the Settlement Class. At the time this Settlement was reached, Lead Plaintiffs were preparing to file a Second Amended Complaint and Defendants were prepared to file motions to dismiss in response. Because of risks associated with continuing to litigate and proceeding to trial, there was a danger that the Settlement Class would not have prevailed on any of their claims, in which case the Settlement Class would receive nothing. The amount of damages recoverable by the Settlement Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants would have asserted that all or most of the losses of Settlement Class Members were caused by non-actionable market, industry or general economic factors. Defendants would also assert that throughout the Settlement Class Period, the uncertainties and risks associated with the purchase of Hovnanian securities were fully and adequately disclosed.

Lead Counsel has not received any payment for their services in conducting the Litigation on behalf of Lead Plaintiffs and the Settlement Class, nor have they been reimbursed for all of their out-of-pocket expenditures. If the Settlement is approved by the Court, Lead Counsel will apply to the Court for attorneys' fees in an amount up to 30% of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$150,000.00 to be paid from the Settlement Fund. If the amount requested is approved by the Court, the average cost per share will be no more than \$0.03.

For further information regarding this Settlement you may contact: Marc L. Godino, Glancy Binkow & Goldberg LLP, 1801 Avenue of the Stars, Suite 311, Los Angeles, CA 90067, Telephone: (310) 201-9150.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on Tuesday, December 15, 2009 at 11:00 a.m., before the Honorable Susan D. Wigenton, United States District Judge, at the United States Courthouse, District of New Jersey, 50 Walnut Street, Newark, New Jersey 07102 (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the Settlement consisting of \$4,000,000.00 in cash should be approved as fair, reasonable and adequate to the Settling Parties; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; and (3) whether the application by Lead Counsel for an award of attorneys' fees and expenses should be approved. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class.

II. DEFINITIONS USED IN THIS NOTICE

1. "Authorized Claimant" means any member of the Settlement Class who is a Claimant (as defined below) and who files a timely and valid Proof of Claim with required documentation in accordance with the requirements of the Order for Notice and Hearing and this Notice, and whose claim of recovery has been allowed pursuant to the Stipulation of Settlement (the "Stipulation").

2. "Claimant" means any Settlement Class Member (as defined below) who files a Proof of Claim in such manner and within such time as provided in this Notice, or as the Court shall prescribe.

3. "Claims Administrator" means The Garden City Group, Inc. which shall administer the Settlement.

4. "Defendants" means Hovnanian Enterprises, Inc. (referred to herein as "Hovnanian" or the "Company"), Ara Hovnanian, J. Larry Sorsby and Bruce Robb.

5. "Final Judgment" or "Judgment" shall mean the Final Judgment and Dismissal with Prejudice to be entered in the Litigation pursuant to paragraph 5.6 of the Stipulation of Settlement.

6. "Lead Plaintiffs" means Herbert Mankofsky and the Jeffrey S. Buffoni Revocable Trust.

7. "Plaintiffs" means Lead Plaintiffs and the Settlement Class (as defined below).

8. "Person" means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assigns.

9. "Plaintiffs' Lead Counsel" or "Lead Counsel" means the law firm of Glancy Binkow & Goldberg LLP.

10. "Plan of Allocation" means a plan or formula for allocating the Settlement Fund (as defined below) to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys' fees, costs, expenses and interest as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation, and Defendants and Defendants' Corresponding Released Parties shall have no responsibility or liability with respect thereto.

11. "Released Plaintiffs' Claims" means any and all claims (including "Unknown Claims" as defined herein), demands, rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters and issues of any kind or nature whatsoever, whether known or unknown, that have been or that could have been alleged in the Litigation or in any court, tribunal, forum or proceeding (including, but not limited to, any claims arising under federal, state or foreign law, common law, statute, rule, or regulation relating to alleged fraud, breach of any duty, negligence, violations of the federal securities laws, or otherwise, and including all claims within the exclusive jurisdiction of the federal courts), whether fixed or absolute or contingent, suspected or unsuspected, disclosed or undisclosed, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or un-matured, whether individual, class, direct, derivative, representative, legal, equitable or any other type or in any other capacity, against Defendants and Defendants' Corresponding Released Parties which Plaintiffs or any member of the Settlement Class ever had, now has, or hereafter can, shall, could, or may have by reason of, arising out of, relating to or in connection with the allegations, conduct, facts, events, transactions, acts, occurrences,

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statements, representations, alleged misrepresentations, omissions, or any other matter, thing or cause whatsoever, or any series thereof, embraced, involved, or set forth or otherwise related, directly or indirectly, to the Litigation or the purchase and/or sale of Hovnanian shares and/or options during the Settlement Class Period (as hereinafter defined), including without limitation, any disclosures made or not made related to the foregoing, except claims to enforce the Settlement.

12. “Released Defendants’ Claims” means all claims (including “Unknown Claims” as defined below), demands, rights, liabilities or causes of action, in law or in equity, accrued or unaccrued, fixed or contingent, direct, individual or representative, of every nature and description whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, against Plaintiffs and their Corresponding Released Parties, arising out of the instituting, prosecution, settlement or resolution of the Litigation; provided however, that Defendants and Defendants’ Corresponding Released Parties shall retain the right to enforce in the Court the terms of the Stipulation belonging to Defendants and their present or past heirs, executors, estates, administrators, predecessors, successors, assigns, parents, subsidiaries, associates, affiliates, employers, employees, agents, consultants, insurers, directors, managing directors, officers, partners, principals, members, attorneys, accountants, financial and other advisors, investment bankers, underwriters, lenders, and any other representatives of any of these Persons or other entities (including, without limitation, any claims, whether direct, derivative, representative or in any other capacity, arising under federal, state, local, statutory or common law or any other law, rule or regulation, including the law of any jurisdiction outside of the United States).

13. “Released Claims” means all of the Released Plaintiffs’ Claims against Defendants and Defendants’ Corresponding Released Parties and Released Defendants’ Claims against the Plaintiffs and Plaintiffs’ Corresponding Released Parties.

14. “Released Parties” means Defendants, Plaintiffs, and each of the Defendants’ and Plaintiffs’ respective Corresponding Released Parties. “Defendants’ Corresponding Released Parties” shall mean Defendants and, whether or not identified in any complaint filed in the Litigation, each and all of Defendants’ families, parent entities, associates, affiliates or subsidiaries and each and all of their respective past, present, or future officers, directors, stockholders, employees, attorneys, financial or investment advisors, consultants, accountants, investment bankers, commercial bankers, insurers, co-insurers and reinsurers, engineers, advisors or agents, heirs, executors, trustees, general or limited partners or partnerships, limited liability companies, members, representatives, estates, administrators, and each of their respective predecessors, successors, and assigns or other Persons or other entities in which any Defendant has a controlling interest or which is related to or affiliated with any Defendant, and any other representatives of any of these Persons or other entities, whether or not any such Released Parties were named, served with process or appeared in the Litigation. “Plaintiffs’ Corresponding Released Parties” shall mean any and all of Plaintiffs’ respective families, parent entities, associates, affiliates or subsidiaries, and each and all of their respective past and present officers, directors, stockholders, agents, representatives, employees, attorneys, financial or investment advisors, advisors, consultants, accountants, investment bankers, commercial bankers, trustees, engineers, agents, insurers, co-insurers and reinsurers, heirs, executors, trustees, general or limited partners or partnerships, limited liability companies, members, estates, administrators, predecessors, successors and assigns, or other Persons or other entities in which any Plaintiff has a controlling interest or which is related to or affiliated with Plaintiffs, and any other representatives of any of these Persons or other entities, whether or not any such Released Parties were named, served with process or appeared in the Litigation.

15. “Settlement Class” means: a) all Persons who purchased or otherwise acquired Hovnanian securities during the period from June 30, 2005 through December 19, 2007, inclusive; b) all Persons who purchased or otherwise acquired call options on Hovnanian securities during the period from June 30, 2005 through December 19, 2007, inclusive; and c) all Persons who sold or otherwise disposed of put options on Hovnanian securities during the period from June 30, 2005 through December 19, 2007, inclusive. Excluded from the Settlement Class are Defendants; the members of Individual Defendants’ immediate families; all individuals who are either current officers and/or directors, or who served as officers and/or directors of Hovnanian or its parents or subsidiaries at any time during the Settlement Class Period; any Person, firm, or other entity in which any Defendant has a controlling interest, or any entity which is related to or affiliated with any Defendant; and the legal representatives, agents,

affiliates, heirs, successors and assigns of any such excluded Persons. Also excluded from the Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class pursuant to the Notice.

16. "Settlement Class Member" means a Person who falls within the definition of the Settlement Class as set forth in ¶ 15 hereof.

17. "Settlement Class Period" means the period from June 30, 2005 through December 19, 2007, inclusive.

18. "Settling Parties" means, collectively, the Defendants and Plaintiffs.

19. "Unknown Claims" shall collectively mean all claims, demands, rights, liabilities, and causes of action of every nature and description which any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Parties, or might have affected his, her or its decision not to object to the Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived, and by operation of the Final Judgment and Order of Dismissal With Prejudice shall have waived, the provisions, rights and benefits of California Civil Code §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiffs shall expressly waive and each of the Settlement Class Members shall be deemed to have, and by operation of the Final Judgment and Order of Dismissal With Prejudice shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs shall expressly fully, finally and forever settle and release, and each Settlement Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Final Judgment and Order of Dismissal With Prejudice shall have, fully, finally, and forever settled and released, any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs acknowledge, and the Settlement Class Members shall be deemed by operation of the Final Judgment and Order of Dismissal With Prejudice to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

III. THE LITIGATION

On and after February 25, 2008, the following action (the "Litigation") was transferred to the United States District Court for the District of New Jersey (the "Court"):

<i>CASE NAME</i>	<i>CASE NUMBER</i>
<i>In re Hovnanian Securities Litigation</i>	2:08-cv-00999

By Order dated January 31, 2008, Herbert Mankofsky was appointed to serve as Lead Plaintiff, and Glancy Binkow & Goldberg LLP was appointed as Lead Counsel. On or about March 10, 2008, Lead Plaintiff, individually and on behalf of all other persons and entities similarly situated, filed and served an Amended Class Action Complaint against Defendants. The Amended Class Action Complaint alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 against Defendants and violation of Section 20(a) of the Exchange Act against Ara Hovnanian, J. Larry Sorsby and Bruce Robb. In July 2008, Defendants filed motions to dismiss the Amended Class Action Complaint. Lead Plaintiff filed oppositions. On March 30, 2009, the parties entered into a stipulation

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withdrawing the pending motions, allowing Lead Plaintiff to file a second amended complaint, agreeing to a new motion briefing schedule, and agreeing to enter into settlement negotiations.

IV. LEAD PLAINTIFFS' CLAIMS AND BENEFITS OF SETTLEMENT

Lead Plaintiffs and Lead Counsel believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports the claims. However, Lead Plaintiffs and Lead Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against the Defendants through trial and through appeals. Lead Plaintiffs and Lead Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Litigation, as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs and Lead Counsel also are mindful of the inherent problems of proof under and possible defenses to the securities law violations asserted in the Litigation. Lead Plaintiffs and Lead Counsel believe that the Settlement set forth in the Stipulation confers substantial benefits upon the Settlement Class. Based on their evaluation, Lead Plaintiffs and Lead Counsel have determined that the Settlement set forth in the Stipulation is in the best interests of Lead Plaintiffs and the Settlement Class.

V. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims and contentions alleged by Plaintiffs in the Litigation. Defendants have denied and continue to deny that they have committed any wrongdoing, violations of law, or breaches of any duty. Defendants have denied and continue to deny all charges of wrongdoing or liability against them arising out of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied and continue to deny, inter alia, the allegations that Plaintiffs or the Settlement Class have suffered damages; that the price of Hovnanian's securities was artificially inflated by reason of the alleged misrepresentations, omissions, or otherwise; that Plaintiffs and/or the Settlement Class were harmed by the conduct alleged in the Litigation; and/or that Defendants knew of or were reckless with respect to the alleged misconduct. In addition, Defendants maintain that they have meritorious defenses to all claims alleged in the Litigation.

Nonetheless, taking into account the uncertainty and risks inherent in any litigation, especially in complex cases, Defendants have concluded that further conduct of the Litigation would be protracted, burdensome, and expensive, and that it is desirable and beneficial to them that the Litigation be fully and finally settled and terminated in the manner and upon the terms and conditions set forth in the Stipulation.

VI. TERMS OF THE PROPOSED SETTLEMENT

Hovnanian, on behalf of Defendants, has caused or will cause to be paid into an escrow account, pursuant to the terms of the Stipulation dated as of September 2, 2009, cash in the amount of \$4,000,000.00 which has been earning and/or will earn interest for the benefit of the Settlement Class. In exchange for such payment, the Released Claims will be released, discharged and dismissed with prejudice as against each of the Released Parties.

A portion of the Settlement proceeds will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and for reimbursement of out-of-pocket expenses. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Settlement Class Members who submit valid and timely Proof of Claim forms with required supporting material.

VII. PARTICIPATION IN THE SETTLEMENT

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before Friday, February 12, 2010 and delivered to the Claims Administrator at the address provided in the form. Unless the Court orders otherwise, if you do not timely

submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

VIII. THE RIGHTS OF SETTLEMENT CLASS MEMBERS

If you are a Settlement Class Member, you may receive the benefit of and you will be bound by the terms of the proposed Settlement described in this Notice, upon approval of it by the Court. If you are a Settlement Class Member, you have the following options:

1. You may file a Proof of Claim as described below. If you choose this option, you will remain a Settlement Class Member, you will share in the proceeds of the proposed Settlement in accordance with the Plan of Allocation if your claim is timely and valid and if the proposed Settlement is finally approved by the Court, and you will be bound by the Judgment and release described below.

2. If you do not wish to be included in the Settlement Class and you do not wish to participate in the proposed Settlement described in this Notice, you may request to be excluded. To do so, you must submit a written request for exclusion (“Request for Exclusion”) that must be postmarked on or before Tuesday, December 1, 2009. A Request for Exclusion must: (a) state the name, address, and telephone number of the Person requesting exclusion; (b) identify each of the Person’s purchases and sales of Hovnanian shares and/or options made during the Settlement Class Period, including the dates of purchase or sale, the number of shares and/or options purchased and/or sold, and the price paid or received per share and/or option for each such purchase or sale; (c) provide proper evidence of the Person’s purchases and sales of Hovnanian shares and/or options during the Settlement Class Period; and (d) state that the Person wishes to be excluded from the Settlement Class. The Request for Exclusion must be addressed as follows:

In re Hovnanian Enterprises, Inc. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9524
Dublin, OH 43017-4824

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST. If you timely and validly request exclusion from the Settlement Class, (a) you will be excluded from the Settlement Class, (b) you will not share in the proceeds of the Settlement described herein, (c) you will not be bound by any judgment entered in the Litigation, and (d) you will not be precluded, by reason of your decision to request exclusion from the Settlement Class, from otherwise prosecuting an individual claim, if timely, against Defendants based on the matters complained of in the Litigation.

3. If you do not request in writing to be excluded from the Settlement Class as set forth in paragraph 2 above, you will be bound by any and all determinations or judgments in the Litigation in connection with the Settlement entered into or approved by the Court, whether favorable or unfavorable to the Settlement Class, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Released Claims against the Released Parties, whether or not you submit a valid Proof of Claim.

4. You may object to the Settlement and/or the application of Lead Counsel for an award of attorneys’ fees and reimbursement of expenses in the manner set forth below. The filing of a Proof of Claim by a Settlement Class Member does not preclude a Settlement Class Member from objecting to the Settlement. However, if your objection is rejected you will be bound by the Settlement and the Judgment just as if you had not objected.

5. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlement, but you will be bound by any Judgment entered by the Court, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Released Claims against the Released Parties.

If you are a Settlement Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Lead Counsel: Glancy Binkow & Goldberg LLP.

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IX. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Authorized Claimants under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in Hovnanian shares and/or options during the Settlement Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel have consulted with their damages consultant.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

For Settlement Class Members who conducted multiple transactions in Hovnanian securities during the Settlement Class Period, the earliest subsequent sale will be matched first against those shares and/or options in the Authorized Claimant's opening position on the first day of the Settlement Class Period, and then matched chronologically thereafter against each purchase and/or sale of shares and/or options made during the Settlement Class Period ("FIFO").

Common Stock Purchases

1. For shares of Hovnanian common stock purchased or otherwise acquired between June 30, 2005 and March 9, 2007, inclusive and:
 - a) Sold prior to the close of trading on March 9, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss between March 12, 2007 and May 31, 2007, the Recognized Claim shall be the lesser of: a) \$0.87 per share; or b) the difference between the purchase price per share and the sale price per share.
 - c) Sold at a loss between June 1, 2007 and December 18, 2007, the Recognized Claim shall be the lesser of: a) \$2.12 per share; or b) the difference between the purchase price per share and the sale price per share.
 - d) Sold at a loss on December 19, 2007, the Recognized Claim shall be the lesser of: a) \$3.00 per share; or b) the difference between the purchase price per share and the sale price per share.
 - e) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - f) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$3.54 per share; or b) the difference between the purchase price per share and \$8.21 per share.¹
2. For shares of Hovnanian common stock purchased or otherwise acquired between March 12, 2007 and May 31, 2007, inclusive and:

¹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$8.21 was the mean closing price of Hovnanian common stock during the 90-day period beginning on December 20, 2007 and ending on March 18, 2008 (the "PSLRA Period").

- a) Sold prior to the close of trading on May 31, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss between June 1, 2007 and December 18, 2007, the Recognized Claim shall be the lesser of: a) \$1.25 per share; or b) the difference between the purchase price per share and the sale price per share.
 - c) Sold at a loss on December 19, 2007, the Recognized Claim shall be the lesser of: a) \$2.13 per share; or b) the difference between the purchase price per share and the sale price per share.
 - d) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - e) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$2.67 per share; or b) the difference between the purchase price per share and \$8.21 per share.
3. For shares of Hovnanian common stock purchased or otherwise acquired between June 1, 2007 and December 18, 2007, inclusive and:
 - a) Sold prior to the close of trading on December 18, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss on December 19, 2007, the Recognized Claim shall be the lesser of: a) \$0.88 per share; or b) the difference between the purchase price per share and the sale price per share.
 - c) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - d) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$1.42 per share; or b) the difference between the purchase price per share and \$8.21 per share.
 4. For shares of Hovnanian common stock purchased or otherwise acquired on December 19, 2007, inclusive and:
 - a) Sold prior to the close of trading on December 19, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - c) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$0.54 per share; or b) the difference between the purchase price per share and \$8.21 per share.

7.625% Preferred Stock Purchases

1. For shares of Hovnanian preferred stock purchased or otherwise acquired between June 30, 2005 and March 9, 2007, inclusive and:
 - a) Sold prior to the close of trading on March 9, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss between March 12, 2007 and December 18, 2007, the Recognized Claim shall be the lesser of: a) \$0.12 per share; or b) the difference between the purchase price per share and the sale price per share.
 - c) Sold at a loss on December 19, 2007, the Recognized Claim shall be the lesser of: a) \$0.47 per share; or b) the difference between the purchase price per share and the sale price per share.

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- d) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - e) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$1.76 per share; or b) the difference between the purchase price per share and \$8.21 per share.²
2. For shares of Hovnanian preferred stock purchased or otherwise acquired between March 12, 2007 and December 18, 2007, inclusive and:
 - a) Sold prior to the close of trading on December 18, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss on December 19, 2007, the Recognized Claim shall be the lesser of: a) \$0.35 per share; or b) the difference between the purchase price per share and the sale price per share.
 - c) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - d) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$1.64 per share; or b) the difference between the purchase price per share and \$8.21 per share.
 3. For shares of Hovnanian preferred stock purchased or otherwise acquired on December 19, 2007, inclusive and:
 - a) Sold prior to the close of trading on December 19, 2007, the Recognized Claim is \$0.00.
 - b) Sold at a loss between December 20, 2007 and March 18, 2008, the Recognized Claim shall be the lesser of: a) the difference between the purchase price per share and the mean trading price per share from December 20, 2007 through the date of sale; or b) the difference between the purchase price per share and the sale price per share.
 - c) Held as of the close of trading on March 18, 2008, the Recognized Claim shall be the lesser of: a) \$1.29 per share; or b) the difference between the purchase price per share and \$8.21 per share.

Put and Call Options

Call Option Purchases

The total recovery payable to Authorized Claimants from transactions in call or put options shall not exceed five percent (5%) of the Net Settlement Fund.

No loss shall be recognized based on a sale or writing of any call option which was subsequently repurchased.

Shares of Hovnanian acquired during the Settlement Class Period through the exercise of a call option shall be treated as a purchase on the date of exercise for the exercise price plus the cost of the call option, and any Recognized Claim arising from such transaction shall be computed as provided for other purchases of common stock.

² Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$8.21 was the mean closing price of Hovnanian preferred stock during the 90-day period beginning on December 20, 2007 and ending on March 18, 2008.

For call options purchased between June 30, 2005 and March 9, 2007, inclusive:

- a. No claim will be recognized for any Hovnanian call options purchased between June 30, 2005 and March 9, 2007 which were not owned as of the close of trading on March 9, 2007.
- b. For call options purchased between June 30, 2005 and March 9, 2007 and owned as of the close of trading on March 9, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) 50%³ of the difference, if a loss, between (x) the amount paid for the call options (including brokerage commissions and transaction charges) and (y) the sum for which said call options were subsequently sold at a loss after brokerage commissions and transaction charges (or \$0.00 if the call option expired while still owned by the Authorized Claimant), or (ii) 50% of the Recognized Claim for Hovnanian common stock which was purchased and sold on the same dates as the call option was purchased and sold.

For call options purchased between March 12, 2007 and May 31, 2007, inclusive:

- a. No claim will be recognized for any Hovnanian call options purchased between March 12, 2007 and May 31, 2007 which were not owned as of the close of trading on May 31, 2007.
- b. For call options purchased between March 12, 2007 and May 31, 2007 and owned as of the close of trading on May 31, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) 50%⁴ of the difference, if a loss, between (x) the amount paid for the call options (including brokerage commissions and transaction charges) and (y) the sum for which said call options were subsequently sold at a loss after brokerage commissions and transaction charges (or \$0.00 if the call option expired while still owned by the Authorized Claimant), or (ii) 50% of the Recognized Claim for Hovnanian common stock which was purchased and sold on the same dates as the call option was purchased and sold.

For call options purchased between June 1, 2007 and December 18, 2007, inclusive:

- a. No claim will be recognized for any Hovnanian call options purchased between June 1, 2007 and December 18, 2007 which were not owned as of the close of trading on December 18, 2007.
- b. For call options purchased between June 1, 2007 and December 18, 2007 and owned as of the close of trading on December 18, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) 50%⁵ of the difference, if a loss, between (x) the amount paid for the call options (including brokerage commissions and transaction charges) and (y) the sum for which said call options were subsequently sold at a loss after brokerage commissions and transaction charges (or \$0.00 if the call option expired while still owned by the Authorized Claimant), or (ii) 50% of the Recognized Claim for Hovnanian common stock which was purchased and sold on the same dates as the call option was purchased and sold.

For call options purchased on December 19, 2007:

- a. No claim will be recognized for any Hovnanian call options purchased on December 19, 2007 which were not owned as of the close of trading on December 19, 2007.
- b. For call options purchased on December 19, 2007 and owned as of the close of trading on December 19, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) 50%⁶ of the difference, if a loss, between (x) the amount paid for the call options (including brokerage commissions and transaction charges) and (y) the sum for which said call options were subsequently sold at a loss after brokerage commissions and transaction charges (or \$0.00 if the call option expired while still owned by the Authorized Claimant), or (ii) 50% of the Recognized Claim by Hovnanian common stock which was purchased and sold on the same dates as the call option was purchased and sold.

³ This discount reflects the fact that a purchase of a call option includes the payment of a time premium.

⁴ This discount reflects the fact that a purchase of a call option includes the payment of a time premium.

⁵ This discount reflects the fact that a purchase of a call option includes the payment of a time premium.

⁶ This discount reflects the fact that a purchase of a call option includes the payment of a time premium.

Put Option Sales

For Hovnanian put options sold (written) or otherwise disposed of during the Settlement Class Period which expired unexercised, an Authorized Claimant's Recognized Claim shall be \$0.00.

For put options sold (written) or otherwise disposed of between June 30, 2005 and March 9, 2007, inclusive:

- a. No claim will be recognized for Hovnanian put options sold (written) between June 30, 2005 and March 9, 2007 which were not the obligation of the Authorized Claimant as of the close of trading on March 9, 2007.
- b. For Hovnanian put options sold (written) or otherwise disposed of between June 30, 2005 and March 9, 2007 which were the obligation of the Authorized Claimant at the close of trading on March 9, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) the sum for which said put options were repurchased at a loss after the close of trading on March 9, 2007 (including brokerage commissions and transaction charges) or (ii) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) \$3.54 per share.
- c. For Hovnanian put options sold (written) or otherwise disposed of between June 30, 2005 and March 9, 2007 which were "put" to the Authorized Claimant (i.e., exercised), the Authorized Claimant's Recognized Claim shall be calculated as a purchase of common stock as shown above, and as if the sale of the put option were instead a purchase of Hovnanian common stock on the date of the sale of the put option, and the "purchase price paid" shall be the strike price less the proceeds received on the sale of the put option.
- d. No loss shall be recognized based on a sale of any put option which was previously purchased.

For put options sold (written) or otherwise disposed of between March 12, 2007 and May 31, 2007, inclusive:

- a. No claim will be recognized for Hovnanian put options sold (written) between March 12, 2007 and May 31, 2007 which were not the obligation of the Authorized Claimant as of the close of trading on May 12, 2007.
- b. For Hovnanian put options sold (written) or otherwise disposed of between March 12, 2007 and May 31, 2007 which were the obligation of the Authorized Claimant at the close of trading on May 31, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) the sum for which said put options were repurchased at a loss after the close of trading on March 9, 2007 (including brokerage commissions and transaction charges) or (ii) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) \$2.12 per share.
- c. For Hovnanian put options sold (written) or otherwise disposed of between March 12, 2007 and May 31, 2007 which were "put" to the Authorized Claimant (i.e., exercised), the Authorized Claimant's Recognized Claim shall be calculated as a purchase of common stock as shown above, and as if the sale of the put option were instead a purchase of Hovnanian common stock on the date of the sale of the put option, and the "purchase price paid" shall be the strike price less the proceeds received on the sale of the put option.
- d. No loss shall be recognized based on a sale of any put option which was previously purchased.

For put options sold (written) or otherwise disposed of between June 1, 2007 and December 18, 2007, inclusive:

- a. No claim will be recognized for Hovnanian put options sold (written) or otherwise disposed of between June 1, 2007 and December 18, 2007 which were not the obligation of the Authorized Claimant as of the close of trading on December 18, 2007.
- b. For Hovnanian put options sold (written) or otherwise disposed of between June 1, 2007 and December 18, 2007 which were the obligation of the Authorized Claimant at the close of trading on December 18, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) the sum for which said put options were repurchased at a loss after the close of trading on December 18, 2007 (including brokerage commissions and transaction charges) or (ii) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) \$1.42 per share.
- c. For Hovnanian put options sold (written) or otherwise disposed of between June 1, 2007 and December 18, 2007 which were "put" to the Authorized Claimant (i.e., exercised), the Authorized Claimant's Recognized Claim shall be calculated as a purchase of common stock as shown above, and as if the sale of the put option were instead a purchase of Hovnanian common stock on the date of the sale of the put option, and the "purchase price paid" shall be the strike price less the proceeds received on the sale of the put option.
- d. No loss shall be recognized based on a sale of any put option which was previously purchased.

For put options sold (written) or otherwise disposed of on December 19, 2007:

- a. No claim will be recognized for Hovnanian put options sold (written) or otherwise disposed of on December 19, 2007 which were not the obligation of the Authorized Claimant as of the close of trading on December 19, 2007.
- b. For Hovnanian put options sold (written) or otherwise disposed of on December 19, 2007 which were the obligation of the Authorized Claimant at the close of trading on December 19, 2007, an Authorized Claimant's Recognized Claim shall be the lesser of (i) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) the sum for which said put options were repurchased at a loss after the close of trading on December 19, 2007 (including brokerage commissions and transaction charges) or (ii) the difference, if a loss, between (x) the amount received for writing the put option (net of brokerage commissions and transaction charges) and (y) \$0.54 per share.
- c. For Hovnanian put options sold (written) or otherwise disposed of on December 19, 2007 which were "put" to the Authorized Claimant (i.e., exercised), the Authorized Claimant's Recognized Claim shall be calculated as a purchase of common stock as shown above, and as if the sale of the put option were instead a purchase of Hovnanian common stock on the date of the sale of the put option, and the "purchase price paid" shall be the strike price less the proceeds received on the sale of the put option.
- d. No loss shall be recognized based on a sale of any put option which was previously purchased.

In the event a Settlement Class Member has more than one purchase or sale of Hovnanian common stock, Preferred Stock and/or Hovnanian common stock options, all purchases and sales shall be matched on a First In/First Out ("FIFO") basis. Settlement Class Period sales will be matched first against any Hovnanian shares and/or options held at the beginning of the Settlement Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Settlement Class Period. Purchases and sales of Hovnanian common stock, Preferred Stock and options shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise or operation of law of Hovnanian common

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stock, Preferred Stock and/or options during the Settlement Class Period shall not be deemed a purchase or sale of these Hovnanian securities for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase of such Hovnanian securities unless specifically provided in the instrument of gift or assignment. The receipt of Hovnanian common stock during the Settlement Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Hovnanian common stock.

Each Authorized Claimant shall be allocated, pro rata, the cash in the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants. Claims for Each Authorized Claimant shall be paid an amount determined by multiplying the total cash in the Net Settlement Fund, by a fraction the numerator of which shall be his, her or its "Recognized Claim" and the denominator of which shall be the Total Recognized Claims of all Authorized Claimants. This computation weighs each Settlement Class Member's claim against every other Settlement Class Member's claim. Each Authorized Claimant will receive pro rata shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

The amount of a Settlement Class Member's Recognized Claim as computed above is not intended to be an estimate of what a Settlement Class Member might have been able to recover at trial, and it is not an estimate of the amount that will be paid pursuant to the Settlement. Instead, this computation is only a method to weight Settlement Class Members' claims against one another. Each Authorized Claimant will receive pro rata shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

To the extent a Claimant had a gain from his, her or its overall transactions in Hovnanian common stock, Preferred Stock and/or Hovnanian put and call options during the Settlement Class Period, the value of the Recognized Claim will be zero. Such claimants will in any event be bound by the Settlement. To the extent that a Claimant suffered an overall loss on his, her or its overall transactions in Hovnanian common stock, Preferred Stock and/or options during the Settlement Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the actual loss.

For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in Hovnanian common stock during the Settlement Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount the Claimant paid for all Hovnanian common stock, Preferred Stock and Hovnanian options purchased during the Settlement Class Period, and the cost or amount paid to repurchase or close after the Settlement Class Period any Hovnanian put options written by the Claimant during the Settlement Class Period that were open obligations of the Claimant at the end of the Settlement Class Period (the "Total Purchase Amount"); (ii) match any sales of Hovnanian common stock, Preferred Stock or options during the Settlement Class Period first against the Claimant's opening position in the common stock and Preferred Stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Hovnanian common stock, Preferred Stock and any options sold during the Settlement Class Period (the "Sales Proceeds"); and (iv) ascribe a \$8.21 per share holding value for the number of shares of Hovnanian common stock and Preferred Stock, purchased during the Settlement Class Period and still held at the end of the 90-day PSLRA Period and add the value at the end of Settlement Class period of any call options still held by the Claimant at the end of the Settlement Class Period ("Holding Value"). The difference between (x) the Total Purchase Amount ((i) above) and (y) the sum of the Sales Proceeds ((iii) above) and the Holding Value ((iv) above) will be deemed a Claimant's gain or loss on his, her or its overall transactions in Hovnanian securities during the Settlement Class Period.

X. DISMISSAL AND RELEASES

If the proposed Settlement is approved, the Court will enter the Final Judgment. The Final Judgment will dismiss the Released Claims with prejudice as to all Released Parties. The Final Judgment will provide that all Settlement Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Parties and that the Released Parties shall be deemed to have released and discharged all Settlement Class Members and Lead Counsel from all claims arising out of the prosecution and settlement of the Litigation or the Released Claims.

XI. APPLICATION FOR FEES AND EXPENSES

At the Settlement Hearing, Lead Counsel will request that the Court award attorneys' fees in the amount up to 30% of the Settlement Fund, plus reimbursement of the expenses, not to exceed \$150,000.00 which were incurred in connection with the Litigation, plus interest thereon. Such sums as may be approved by the Court will be paid from the Settlement Fund. Settlement Class Members are not personally liable for any such fees or expenses.

To date, Lead Counsel have not received any payment for their services in conducting this Litigation on behalf of Lead Plaintiffs and the Settlement Class Members, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Settlement Class and for their risk in undertaking this representation on a wholly contingent basis.

XII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; and (2) the expiration of the applicable period to file all appeals from the Judgment without the filing of any appeals, or, in the event of any appeal, the entry of an order dismissing the appeal or affirming the appealed Judgment, and the expiration of any time period for further appeal, including a writ of certiorari. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of August 28, 2009.

XIII. THE RIGHT TO BE HEARD AT THE HEARING

Any Settlement Class Member who timely and validly files a written objection to any aspect of the Settlement, the Plan of Allocation, or the application for attorneys' fees and expenses, may appear and be heard at the Settlement Hearing. Any such Person must submit a written notice of objection to each of the following, so that it is postmarked on or before Tuesday, December 1, 2009:

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
50 Walnut Street, Newark, New Jersey 07102

Lead Counsel for Plaintiffs

Glancy Binkow & Goldberg LLP
Marc L. Godino
1801 Avenue of the Stars, Suite 311
Los Angeles, CA 90067
Telephone: (310) 201-9150

Counsel for Defendants

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Lynn K. Neuner
425 Lexington Avenue
New York, New York 10017-3954

Morrison & Foerster LLP
Jamie Levitt
1290 Avenue of the Americas
New York, New York 10104

The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, including the number of Hovnanian shares and/or options purchased and sold during the Settlement Class Period, and contain a statement of the reasons for objection. Only Settlement Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

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XIV. SPECIAL NOTICE TO NOMINEES

If you are a nominee for any Settlement Class Member, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

In re Hovnanian Enterprises, Inc. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9524
Dublin, OH 43017-4824

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing. Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

XV. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. All capitalized terms used but not otherwise defined herein shall have the same meanings as in the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, District of New Jersey, 50 Walnut Street, Newark, New Jersey 07102, or on the website of Lead Counsel. If you have any questions about the Settlement of the Litigation, you may contact Lead Counsel by writing:

Glancy Binkow & Goldberg LLP
Marc L. Godino
1801 Avenue of the Stars, Suite 311
Los Angeles, CA 90067
Tel: (301) 201-9150

DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.

Dated: October 15, 2009

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY