

DEVELOPER'S AGREEMENT

By and Between

TOWN OF ORANGETOWN

-and-

K. Hovnanian Companies of New York, Inc.

for Property located in

Town of Orangetown, Rockland County
New York

- dated -

August 16, 2007

TABLE OF CONTENTS

| | |
|---|--------|
| RECITALS..... | - 1 - |
| 1. DEFINITIONS..... | - 2 - |
| 2. PURPOSE AND RESPONSIBILITIES..... | - 5 - |
| 3. DEPOSIT..... | - 9 - |
| 4. PROPERTY DOCUMENTS..... | - 9 - |
| 5. SITE ACCESS..... | - 10 - |
| 6. SEQRA..... | - 12 - |
| 7. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE TOWN .. | - 12 - |
| 8. REPRESENTATIONS AND WARRANTIES OF THE COMPANY..... | - 13 - |
| 9. DEFAULTS AND TERMINATION..... | - 14 - |
| 10. MISCELLANEOUS | - 16 - |

| | | |
|-----------|---|--------------------------------------|
| EXHIBIT A | - | PROPERTY |
| EXHIBIT B | - | PRELIMINARY CONCEPT PLAN |
| EXHIBIT C | - | CONTRACT OF PURCHASE AND SALE |
| EXHIBIT D | - | PRELIMINARY GOLF COURSE CONCEPT PLAN |
| EXHIBIT E | - | SEQRA SCHEDULE |
| EXHIBIT F | - | FEE SCHEDULE |
| EXHIBIT G | - | SHORT FORM AGREEMENT |
| EXHIBIT H | - | CANCELLATION OF SHORT FORM AGREEMENT |

DEVELOPER'S AGREEMENT

THIS DEVELOPER'S AGREEMENT (this "Agreement") made on August ____, 2007 by and between the TOWN OF ORANGETOWN (the "Town"), a political subdivision of the State of New York having an office at Town Hall, 26 Orangeburg Road, Orangeburg, New York 10962 and K. HOVNANIAN COMPANIES OF NEW YORK, INC., a New York business corporation with offices at 110 Fieldcrest Avenue, Edison, New Jersey 08818 (the "Company"). The Town and the Company may be individually referred to herein as a "party" and, collectively, as the "parties."

RECITALS

WHEREAS, the Town owns a parcel of real property located in the Town of Orangetown, Rockland County, New York consisting of: (1) a part of the interior property formerly a part of the Rockland Psychiatric Center (the "Core Property"); and (2) additional property located along Blaisdell Road between Veterans Memorial Drive and Old Orangeburg Road (the "Blaisdell Property"), both such parcels are more fully shown on Exhibit A attached hereto and made a part hereof; and

WHEREAS, the Town also owns parcels of other real property consisting of (3) the existing Town owned Broadacres Golf Course (the "Broadacres Golf Course") which property is also more fully shown on Exhibit A attached hereto and made a part hereof; and

WHEREAS, the aforementioned parcels 1, 2 and a portion of 3, as more fully shown on Exhibit A annexed hereto and made a part hereof, collectively, are intended to comprise the "Property" as that term is used under this Agreement; and

WHEREAS, on April 12, 2004 the Town Board of the Town of Orangetown (the "Town Board") adopted The Rockland Psychiatric Center Redevelopment Plan; and

WHEREAS, the Town Board circulated a Request for Proposals for Redevelopment at the Rockland Psychiatric Center dated January 24, 2005 (the "RFP") for a qualified developer to redevelop the Property; and

WHEREAS, K. Hovnanian Developments of New York, Inc., (an affiliate of the Company) along with several other prospective developers, responded to the RFP with a proposal for the development of the Property; and

WHEREAS, due to K. Hovnanian Developments of New York, Inc.'s experience and qualifications with regard to large-scale residential and mixed-use development, the Town Board selected it, operating through a subsidiary under the direction and control of the Company, as the "preferred developer" for this Project (as hereinafter defined), based upon its general preliminary proposal (the "Proposal"); and

WHEREAS, the Town and the Company are seeking to revitalize and enhance the Property for the benefit of the residents of the Town of Orangetown, New York; and

WHEREAS, in order to permit the redevelopment of the Property consistent with the proposal, the Town will need to amend the zoning applicable to the Property (the "Proposed Zoning Change"); and

WHEREAS, prior to considering the Proposed Zoning Change, the Town will prepare a Generic Environmental Impact Statement ("GEIS") and adopt a findings statement in order to evaluate any potentially significant adverse environmental impacts of the Proposed Zoning Change and any Conceptual Development Plans for the Project in accordance with SEQRA (as hereinafter defined); and

WHEREAS, concurrent with the Town's evaluation of the Proposed Zoning Change, the parties desire to cooperate to finalize a Conceptual Development Plan, based upon the Proposal, that will describe redevelopment of the Property consisting, generally, of residential dwelling units, possibly, certain commercial components, and realignment and renovation of the existing 9-hole Broadacres Golf Course, all to be finally determined; and

WHEREAS, the Company and the Town desire the opportunity to fully investigate the Property and commence certain preliminary planning activities with respect to the Project (as hereinafter defined) under the terms and conditions contained herein.

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS.

For all purposes of this Agreement, the following terms shall have the respective meanings set forth below. Capitalized terms used but not defined herein shall have the meaning given them in the Contract of Purchase and Sale which is attached hereto and made a part hereof as Exhibit C.

"Affiliate" means with respect to any Person any entity that, directly or indirectly, controls or is controlled by that Person, or is under common control with that Person. For purposes of this definition "control", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise and in the case of a specified Person who is a natural person, his/her spouse, his/her issue, his/her parents, his/her estate and any trust entirely for the benefit of his/her spouse and/or issue.

"All Approvals" shall mean all Approvals, permits, agreements and zoning ordinance amendments issued by Governmental Authorities including, without limitation, SEQRA compliance, site plan approval and subdivision approval for all units in the Project, a Work Plan, approval of the New York State Legislature for any necessary alienation of designated "parkland" (as defined by applicable law) and other approvals necessary to proceed with the uninterrupted development of all units in the Project, and the very first building permit only (for which the Company shall apply within 30 days of the last Approval other than such building permit) which Approvals contain terms and conditions acceptable to Buyer in its sole discretion. Each such approval shall be referred to as an "Approval." This definition shall expressly exclude

all building permits (except the first building permit), and approval of any Offering Plan by the New York State Attorney General as well as discretionary funding as set forth in Section 2(f) hereof.

"Approval" shall mean each individual final, non-appealable approval of those defined as All Approvals. An Approval shall be deemed final and non-appealable where the time to challenge or appeal the grant or denial of the Approval, or a term or condition of the Approval, before any administrative body or court of law has expired, and no challenge or appeal is pending and/or has been decided in the Company's favor, and all terms and conditions contained in the Approval have been satisfied; such time period, the parties agree, shall be four (4) months, or such shorter period as may be provided by state or local law not to exceed four (4) months, measured from the formal grant or denial of any individual Approval, respectively. With regard to each Approval or component thereof required for the Project, the Company agrees to use its best, commercially reasonable efforts to diligently apply for and pursue same.

"Brownfield Programs" shall mean, without limitation and as applicable, the New York State Brownfield Program pursuant to Articles 14 and 56 of the New York State Environmental Conservation Law and the Federal Brownfield Program pursuant to 42 USCA § 9601 et. seq. and any other applicable laws, rules, regulations or programs.

"Buildings" means, collectively, any and all buildings, structures and other improvements located on the Property.

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of New York.

"Conceptual Development Plan" shall have the meaning ascribed to such term in Section 2(e) hereof.

"Contract of Purchase and Sale" means the Contract of Purchase and Sale by and between the Town and the Company, attached hereto as Exhibit C and made a part hereof, and setting forth the terms by which the Town will sell and the Company will purchase the Property if all conditions set forth therein are satisfied.

"Contracts" means all contracts, leases, agreements and obligations currently in force relating to the Property, including, without limitation, all sale, management, construction, leasing, insurance, commission, architectural, engineering, operating, employment, service, supply and maintenance agreements.

"DEC" shall mean the New York State Department of Environmental Conservation.

"Effective Date" means the date on which both the Town and the Company have executed this Agreement.

"Environmental Documents" shall mean all environmental documentation in the possession or under the immediate control of Seller or its consultants concerning the Property or its environs including, without limitation, preliminary assessments, Phase I reports, remedial investigation reports, or any other plans, reports and sampling results, and any correspondence or

other documentation to or from any Governmental Authority. Environmental Documents shall not include such documents in the possession of the State of New York or any of its departments, agencies or authorities, or any predecessor owner or tenant, unless same shall have been delivered to, and are in the possession of, the Seller.

“Environmental Laws” (and individually, “Environmental Law”) shall mean all federal, state and local laws, statutes, rules, regulations, ordinances, orders, directives, binding written interpretations, and binding written policies applicable to Hazardous materials, pollution, human health and safety, and the environment issued by any Governmental Authorities and in effect as of the date of this Agreement with respect to or which otherwise pertain to or affect the Property or the improvements thereon, or any portion thereof, the use, ownership, occupancy or operation of the Property or the improvements thereon, or any portion thereof, or any owner of the Property, and as same have been amended, modified or supplemented from time to time prior to the date of this Agreement, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. § 9601 et seq.), the Hazardous Substances Transportation Act (49 U.S.C. § 1802 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Solid Waste Disposal Act (42 U.S.C. § 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. § 11001 et seq.), the Radon and Indoor Air Quality Research Act (42 U.S.C. § 7401 note, et seq.), the Superfund Amendment Reauthorization Act of 1986 (42 U.S.C. § 9601 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et. seq.), and all applicable state and local laws, including without limitation the New York State Environmental Conservation Law and the New York State Navigation Law, and any and all rules and regulations, all as may from time to time be amended and including any successor statutes thereto.

“GEIS” shall have the meaning ascribed to such term in Section 6 hereof.

“Governmental Authorities” means any governmental or quasi-governmental body or agency having jurisdiction over the Property and/or the Project, including, without limitation, the federal government, State of New York, County of Rockland, and Town of Orangetown.

“Governmental Regulation” means any laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, toxic or Hazardous Materials, occupational health and safety, water, earthquake hazard reduction, and buildings and fire codes) of the Governmental Authorities bearing on the construction, occupancy, alteration, rehabilitation, development, re-development, maintenance, use, operation or sale of the Property.

“Guaranty” shall mean the corporate guaranty of K. Hovnanian Holdings of New Jersey, LLC, a New Jersey limited liability company which maintains at least \$300,000,000.00 in assets on a yearly basis.

“Hazardous Materials” means toxic materials, hazardous waste, or hazardous substances as any of these terms are defined in the New York State Environmental Conservation

Law; the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. § 6901, et seq.); in the Hazardous Materials Transportation Act, 49 U.S.C. § 1802; and/or in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601, et seq.); asbestos or asbestos-related products, oils, petroleum-derived compounds, petroleum by-products, radon, soil vapor intrusions, polychlorinated biphenyls ("PCBs"), PCB-containing equipment, storage tanks, lead-based paint, radioactive elements, infectious agents, urea-formaldehyde insulation or other materials, substances, wastes, pollutants or pesticides as from time to time identified in any laws, rules, ordinances or regulations from time to time applicable to the Property.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company, limited liability partnership, governmental authority, or other entity of whatever nature.

"Project" shall mean a residential development on the Property, together with, possibly, certain commercial components as and if approved by the Planning Board, , the renovation and realignment of the existing nine-hole Broadacres Golf Course, and the development of a walking trail or series of walking trails, all as more fully shown on the Preliminary Concept Plan and the Preliminary Golf Course Concept Plan, annexed hereto Exhibits B and D, together with related on and off-site improvements.

"Property" shall mean the Core Property, the Blaisdell Property, and certain portions of the Broadacres Golf Course, including all rights of way, covenants, easements and any other rights appurtenant to such property, as more fully set forth in Exhibit A attached hereto and made a part hereof.

"Proposed Zoning Change" shall have the meaning set forth in the Recitals.

"SEQRA" means the State Environmental Quality Review Act, New York Environmental Conservation Law Article 8 and its accompanying regulations set forth in 6 NYCRR Part 617, as amended.

"SEQRA Deposit" shall have the meaning ascribed to such term in Section 3 hereof.

"Studies" means title examinations; surveys; architecture, financial, financing, economic, marketing, environmental, engineering, and other tests, studies or reports, including test borings, inspections, audits, investigations, reviews, and/or other similar studies or reports.

"Town" shall have the meaning set forth in the preamble.

2. PURPOSE AND RESPONSIBILITIES

(a) Generally. The purpose of this Agreement is to set forth the respective preliminary rights, obligations, conditions, and agreements of the Town and the Company in connection with the Town's evaluation of the Proposed Zoning Change and the planning of the Project. Nothing in this Agreement, or in the Contract of Purchase and Sale, annexed hereto and made a part hereof as Exhibit C, shall bind the Town to adopt any Proposed Zoning Change or to redevelop the Property, or shall in any way abridge the Town's authority with respect to the

Property. The parties agree that the Company has been selected by the Town as the preferred developer for this Project. During the term of this Agreement, the Town agrees not to negotiate with any person or entity regarding the selection of another developer for this Project. It is the expectation of the parties that if the Town decides to adopt the Proposed Zoning Change and the Company decides to purchase the Property, the completed Project will serve a valuable public purpose by providing a productive re-use for the Property, improving the appearance of same, increasing the tax base and sales revenue of the Town of Orangetown and other taxing jurisdictions, and identifying and alleviating environmental concerns with respect to the Property, among other things.

(b) Town's Obligations. The obligations of the Town during the term of this Agreement shall include, without limitation, the following:

(i) Carrying out the activities listed on the SEQRA Schedule attached hereto as Exhibit E and made a part hereof, the cost of which activities shall be borne solely and exclusively by the Company, all as more fully set forth at Section 3 hereof;

(ii) Inviting the Company to participate in (1) all meetings and negotiations with all Government Authorities, regulatory officials, and others related to the Property, the Project the SEQRA process and the Proposed Zoning Change; and (2) all public meetings and hearings and all public comment periods related to the Project, the Property, the SEQRA process, and the Proposed Zoning Change;

(iii) Diligently pursuing approval of the State Legislature for the alienation of Town "parkland", including, without limitation, the applicable portion of the Broadacres Golf Course, as may be necessary for the Project;

(iv) Making available to the Company the Property Documents as hereinafter referred to at Section 4, and subject to the limitations and reservations set forth therein;

(v) Reasonably cooperating with respect to the Company's investigations of the Property and developing and refining a Conceptual Development Plan reasonably satisfactory to the Town;

(vi) Providing the Company with full access to the Property; and

(vii) Reasonably cooperating with and assisting the Company with respect to the Company's identification and investigation of All Approvals required for the Project; and

(viii) So long as such does not extend the time periods set forth herein, or result in increased costs to the Town, reasonably cooperating with the Company in:

(a) Discussions with the DEC relating to any funds, programs or incentives which may be available to the Property or Project under the Brownfield Programs or other state programs; and

(b) Discussions with the Rockland County Industrial Development Agency in relation to advocating for and utilizing any available economic development

incentives for the Project including, without limitation, and to the extent applicable, for sales tax and mortgage recording tax exemptions, but excluding real property tax exemptions (other than a full tax Payment in Lieu of Taxes Agreement).

(c) Company's Obligations. The obligations of the Company during the term of this Agreement shall include, without limitation, the following:

(i) Developing and refining a Conceptual Development Plan reasonably satisfactory to the Town and phasing plan for development of the Project;

(ii) Carrying out due diligence investigations with respect to the Property;

(iii) Providing to the Town with evidence of the insurance coverage in the forms and in the amounts amounts required herein;

(iv) Providing the Town with a copy of the title insurance report and the Company's Title Objections; and

(v) Cooperating with the Town in connection with the Town's environmental review of the Property and its preparation of a GEIS in connection with the Proposed Zoning Change and any Conceptual Development Plan for the Project, including, but not limited to, paying the reasonable costs associated therewith.

(d) Insurance. The Company shall provide the Town with proof of the Company's liability insurance coverage for its employees, agents and representatives, naming the Town as an Additional Insured and covering the Town with respect to all of the Company's investigation activities of the Property and having a combined single limit of not less than \$1,000,000 with at least \$5,000,000 excess liability coverage. The Company or Company's agents shall also maintain at all times during the terms of this Agreement worker's compensation insurance and other forms of insurance required by law for such activities. The Company shall repair any damage caused by such testing and shall restore the Property to substantially the same condition as existed immediately prior to such testing.

(e) Conceptual Development Plan. During the term of this Agreement, the Company shall develop and refine the Preliminary Conceptual Development Plan (the "Conceptual Development Plan", as refined) in a manner agreeable to the Company and the Town for development of the Property and the Project. The overall Conceptual Development Plan that will be developed shall include, among other things, general site plans, building types, architectural styles, streetscapes, street lighting, pedestrian and vehicle circulation plans, and other elements typical of a Conceptual Development Plan. The Company shall (i) be solely responsible for the costs associated with the development of the Conceptual Development Plan incurred during the Investigation Period; (ii) meet regularly with the Town to cooperatively develop the Conceptual Development Plan; and (iii) complete such Conceptual Development Plan on or before the expiration of the term of this Agreement and the completion of the SEQRA process. The parties understand and agree that such plans shall be preliminary and conceptual only, and more specific development plans will be developed should the zoning classification of the Property be changed. The parties agree that the Conceptual Development Plan shall be

owned by the Company and not be submitted to any Governmental Authority (other than the Town) or any other third party, or otherwise used without the Company's written consent, other than in connection with the Town's activities in connection with the Proposed Zoning Change of the Property, the related SEQRA process and other necessary actions under or derivative of this Agreement.

(f) Funding. During the term of this Agreement, the Town shall reasonably cooperate with and assist the Company to maximize federal, state and local funding of the Project, including, without limitation, funding and liability releases available under the Brownfield Programs. The parties will work cooperatively in the preparation of such applications. The parties acknowledge that most of such applications require either direct application by the Town or the Town's consent to an application, which actions are subject to formal approval by the Town in its sole discretion in order to be submitted. It is intended that any such incentives received shall accrue to the Company and, as and to the extent applicable, be applied to the Property and the Project. Nothing herein, however, shall be deemed to commit the Company to fund, proceed with or undertake the Project; nor shall the Town be required to sign or otherwise participate in such applications where the Town, in its sole discretion, concludes that any such application would not be in the best interest of the Town.

(g) Approvals. During the term of this Agreement, the Company shall identify, investigate all necessary approvals and permits the Company may require from Governmental Authorities for the development of the Project. During such period, it is expected that the Company may hold preliminary discussions with Governmental Authorities including, without limitation, planning and zoning boards. The Town agrees to reasonably cooperate with the Company with respect to such meetings and negotiations and, if requested by the Company, to send knowledgeable representatives of the Town to such meetings. However, nothing herein shall be construed to be a decision by any Governmental Authority in relation to a future course of action for the development of the Project. The Town retains full authority to consider each and every aspect of the Project and its benefits and impacts independently.

(h) Diligent Efforts. The parties agree to proceed diligently and in good faith with respect to all matters set forth in this Agreement. The parties shall cooperate with one another as may be reasonably requested. The parties shall adhere to all regulatory and statutory timeframes that may be applicable to any activities conducted under this Agreement.

(i) Contract of Purchase and Sale. The parties agree that, within thirty (30) days of the later of (i) the completion of the SEQRA process as evidenced by the adoption of a SEQRA findings statement, relating to the Proposed Zoning Change, or (ii) adoption of the Proposed Zoning Change, they shall execute the Contract of Purchase and Sale in the form attached hereto as Exhibit C. The parties acknowledge and agree that after the Orangetown Town Board adopts a SEQRA findings statement, the Town Board must adopt a resolution authorizing the conveyance of the property to the Company and that such resolution is subject to a permissive referendum in accordance with Article 7 of the New York Town Law. Nothing in this Section 2(i) shall preclude the Town Board from affirmatively sending such resolution to a referendum on its own motion; provided, however, that if the Town Board makes such a motion against the written wishes of the Company and the resolution authorizing the conveyance of the Property is not approved in such referendum, such action by the Town Board shall trigger the remedies

applicable as if same were a material breach of this Agreement under Section 9(a) hereof. Notwithstanding the foregoing, nothing herein shall obligate the Town to litigate or otherwise challenge the validity of any petition for permissive referendum. However, the Town does hereby agree that, should a petition for permissive referendum require such referendum be held as a pre-condition to the sale of the Property, the Town shall duly pursue such referendum and shall have no right to terminate this Agreement (except as otherwise stated herein).

3. SEQRA DEPOSIT.

Upon execution of this Agreement, the Company shall deliver a deposit to the Town in the amount of One Hundred Seventy-Five Thousand Dollars (\$175,000.00) (the "SEQRA Deposit"). The SEQRA Deposit shall be non-refundable except as specifically set forth herein, and shall be used by the Town to pay the costs and expenses, including but not limited to the cost of the Town's professional consultants, incurred in connection with the SEQRA process including the preparation of a GEIS for the Proposed Zoning Change. In this regard, it is expressly understood and agreed that the dollar amount set forth herein is not intended to be, nor shall it constitute, a limitation on the Company's obligation to pay the full amount of such costs and expenses, and the Company expressly agrees that, in the event this amount shall be expended by the Town (as required by SEQRA), the Company shall replenish such deposit by a further deposit of \$25,000.00 (and with subsequent deposits in like amount as each such deposit shall be expended until the SEQRA process shall be complete as evidenced by the Town's adoption of SEQRA Findings) to be held in trust by the Town and disbursed to cover expenses if and as incurred and required in connection with the SEQRA process for the proposed Zoning Change.

It is further expressly understood and agreed that, in the event the Company shall elect to terminate this Agreement during the SEQRA process, any balance of monies advanced by the Company and remaining unexpended in the Town's possession shall be returned to the Company. This Agreement does not affect, in any way, the Company's rights to dispute any costs it feels are inequitable so long as such dispute is in writing and delivered to the Town within thirty (30) days of any such bill. Such dispute shall be resolved by the parties in accordance with Section 9(b) hereof. Unless otherwise agreed, the time periods herein shall be suspended pending resolution of any such dispute.

4. PROPERTY DOCUMENTS.

Throughout the period of this Agreement, the Town shall use its best, reasonable efforts to make available for the Company's inspection, review and photocopying complete copies of all documents, contracts, leases, reports, Studies, surveys, title reports, test or inspection results of any kind or nature in the Town's possession, custody or control, or in the possession, custody or control of Town's agents and consultants, concerning the Property, including, but not limited to, all documents relating to administrative proceedings, civil or criminal litigation and/or approvals of and for the Property. These documents shall include, without limitation: (1) all applications submitted to and approvals, grants, programs, protections, incentives, subsidies, agreements and permits issued by appropriate Governmental Authorities, including any correspondence, reports or plans referenced therein; (2) all agreements entered into by the Town relating to the development of the Property, e.g., developer's agreements, utility service agreements, easements, off-site improvement agreements, etc.; (3) current or pending engineering plans, concept plans,

bond estimates and quantity take-offs for the Property and any associated off-site improvements for land development, utilities, grading, traffic improvements, etc.; (4) title insurance policies, reports or commitments for the Property; (5) boundary line and topographic surveys of the Property; (6) environmental documents, including, without limitation, environmental analyses or reports prepared on behalf of the Town or any prior owners of the Property, and any applications for grants, monies, inventories or the inclusion in any governmental program; (7) documents relating to any litigation or governmental action concerning the Property, whether or not such litigation has been resolved by a court of competent jurisdiction or is pending; and (8) tax bills (if any) for the prior three (3) tax years and any notice of a change in assessment or additional tax assessment, charge, fee or levy (collectively, the "Property Documents"). The Town shall make a diligent search for the Property Documents and, to the extent applicable, shall request its consultants to do the same. Seller shall further reasonably cooperate with the Company in the Company's efforts to acquire all such documents relating to the Property in the possession of and from the State of New York, as the immediate past owner of the Property. If requested by the Company, the Town shall provide written authorization to the Company to contact any of the Town's consultants and professionals that may have (or had) information or documentation relating to the Property and/or the transactions contemplated by this Agreement. Thereafter, the Company may obtain such information and/or documentation directly from such consultant or professional. The Town's obligations pursuant to this Section 4 shall be ones of good faith, with reasonable efforts, to assist the Company in obtaining all information relating to the Property. Nothing herein shall be deemed or be construed as a representation or warranty as to the completeness or accuracy of any documents reproduced or made available to the Company or otherwise constitute a representation or warranty by the Town, relating to the condition of the Property, it being expressly understood and agreed that the Town makes no representation whatsoever concerning the Property or its condition, environmental or otherwise, and that the Company's decision to move forward and purchase the Property is based upon its own independent investigation, assessment and analysis.

5. SITE ACCESS.

(a) Access Rights. Subject to the terms of this Agreement, and provided the Company has delivered to the Town proof of the insurance coverage required under Section 2 (d) hereof, the Company, its officers, agents and employees, and the officers, agents and employees of the Company's contractors shall have full and complete access to the Property during the term of this Agreement without further authorization from the Town. The Company shall, likewise, be given reasonable access to all Town-owned property where it is contemplated that the Company would have a license to perform the incidental improvements contemplated hereunder (i.e. the Golf Course and the Walking Trails). The access granted to the Company pursuant to this Section shall consist of, without limitation, inspection, surveying, coring, installation of groundwater monitoring wells and piezometers, access for the purpose of sampling and other activities incident to the performance of an environmental assessment and any environmental monitoring work that is permitted by this Agreement, or by Environmental Laws.

(b) Hazardous Materials/Site Conditions. The Town shall notify the Company as and to the extent of its actual knowledge of any Hazardous Materials, utilities, underground structures, underground tanks or any conditions that are in violation of applicable laws, rules or

regulations which relate to the Property, or written notices of any claimed violation of Environmental Laws.

(c) **Due Diligence.** Throughout the period of this Agreement, the Company shall have the opportunity to perform due diligence, of a nature, type and extent that it, in its sole discretion, deems necessary, relating to the Property and to the suitability of the Property for the development of the Project. In its sole and absolute discretion, the Company may waive all or a portion of the Investigation Period by written notice in accordance with the terms of Section 10(a) hereof. The Company, throughout the term of this Agreement, may conduct investigations, tests, Studies and inspections of any kind or nature whatsoever including, without limitation, Phase I and Phase II environmental tests, soil and groundwater sampling, and may make a complete and independent investigation of all aspects of the transaction contemplated by this Agreement including, but not limited to, the condition of the Property, all correspondence, instruments, agreements, contracts, books, documents, records, plans, drawings, specifications, brochures, permits, licenses, registrations, consents, Property Documents and authorizations concerning the Property to determine the feasibility of development of the Property. The Town shall reasonably cooperate with all of the investigations, inquiries and Studies to be conducted by the Company. The Company shall meet with the New York State Department of Environmental Conservation to determine the protocols, procedures and methods for collection data which will be applicable to the Company's investigation of the Property, as well as any cleanup standards that may be relevant to any remediation of the Property for residential development.

(d) **Defense and Indemnification.** Until such time as the Company closes title, if ever, on the Property, the Company shall not be responsible for the remediation, or cost of remediation, of any existing condition on the Property, except for the ascertainable exacerbation of such existing condition attributable to the intentional or negligent acts or omissions of the Company, its agents, employees or invitees. In the event of such ascertainable exacerbation of an existing condition by the Company, the Company shall be solely financially responsible for the cost of same, and the Company hereby indemnifies and holds the Town harmless from all claims, liabilities, damages, losses, costs, expenses (including, without limitation, reasonable attorneys' fees), actions and causes of action arising out of or in any way relating to the ascertainable exacerbation of such condition and/or as a result of any entry onto the Property, or any tests or inspections performed by the Company, its agents, independent contractors, servants, employees or invitees. This obligation to indemnify and hold the Town harmless shall exclude any and all claims, liabilities, damages, costs, expenses, actions and causes of action arising out of or related in any way to any pre-existing condition unless the exacerbation of any such condition is due to the Company's negligent or intentional acts or omissions on the Property provided, however that this exception to the Company's obligation to indemnify and hold the Town harmless shall not apply, and shall not be effective, as to any claims, liabilities, damages, costs, expenses and causes of action brought by, or in the name of, or in any way relating to the Company's employees, agents, contractors or others who are on the Property at the Company's request, invitation or otherwise in connection with the Company's activities thereon. This obligation shall survive Closing and be binding on any successors, assigns or successors in interest of Buyer.

(e) **Voluntary Termination By the Company.** The Company may terminate this Agreement at any time during and throughout its term for any reason. If the Company elects to

terminate this Agreement pursuant to this Section, the Company shall give written notice in accordance with Article 10 hereof, to the Town, in which event the Company shall: (1) return the Property Documents to Seller, and (2) with respect to any portion of the Property damaged or otherwise adversely affected by testing, restore the Property to substantially the same condition as existed before the Company entered upon the Property in furtherance of its due diligence. This obligation shall survive Closing and be binding on any successors, assigns or successors in interest of Buyer.

6. SEQRA.

The parties understand and acknowledge that the Town cannot commit to undertake any action with respect to the Proposed Zoning Change or the Project until it has complied with the provisions of SEQRA. However, the parties agree that the execution of this Agreement, the development of a Conceptual Development Plan, and all acts performed by either party in connection with or pursuant hereto shall constitute preliminary investigation and planning activities and shall be Type II actions under Part 617.5(c) of the SEQRA, which do not require review under SEQRA. At no time during the term of this Agreement shall any party hereto take, cause to be taken, or allow to be taken any act in connection with this Agreement, the activities contemplated herein or the Conceptual Development Plan, that could be construed to require review pursuant to SEQRA. The parties contemplate that the Town will prepare a Generic Environmental Impact Statement ("GEIS") in connection with the Proposed Zoning Change and any Conceptual Development Plan and, as to the extent required, the Company, in the future, may need to prepare one or more project-specific environmental reviews prior to approval of the Project. The Town and the Company will work together to ensure that all actions are taken in accordance with SEQRA.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE TOWN.

The Town makes the following representations, warranties and covenants to the Company, each of which shall be deemed a continuing representation, warranty and covenant that is of the essence of this Agreement and upon which the Company has relied in entering into this Agreement:

(a) The Town has the full right, power and authority to enter into this Agreement.

(b) This Agreement is duly authorized, executed and delivered by the Town and constitutes a legal, binding obligation upon the Town, its successors and assigns and does not violate any provisions or any agreement or judicial or administrative order to which the Town is a party or to which the Town is subject.

(c) There are no actions, legal proceedings or investigations pending or threatened that would adversely affect the Property or the Town's ownership thereof or the Town's obligations hereunder.

(d) The execution of this Agreement by the Town is effectual without the joinder of any other party.

(e) During the term of this Agreement, the Town shall (i) not cause or permit any activity to take place on, in or under the Property which will generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Materials, except in compliance with all applicable federal, state and local laws, regulations or ordinances; and (ii) give the Company prompt notice of the Town's actual notice of the existence and/or release of Hazardous Materials on, in or under the Property, or of any action brought by or threatened by any governmental agency against the Town to enforce any law, regulation or ordinance relating to protection of health or the environment, or any litigation brought or threatened, or any settlements reached by or with any person(s) or group(s) alleging the presence, disposal, release or threatened release of any Hazardous Materials on or arising from any activity conducted on the Property, or of the discovery of PCBs, asbestos, lead-based paint or underground tank(s) on, in or under the Property.

(f) During the term of this Agreement, and provided the Company shall not be in breach of its obligations under this Agreement, the Town shall not negotiate regarding the sale of the Property to any person or entity other than the Company.

(g) The Town shall not increase the amount of any Town fees (payable by the Company) from those amounts set forth on the Fee Schedule attached hereto as Exhibit F and made a part hereof.

(h) On or before the execution of this Agreement, the Town shall provide the Company with duly adopted resolutions of the Town Board (i) authorizing this Agreement; and (ii) naming the Company as the "preferred developer" of the Project

(i) To the best of the Town's actual knowledge and belief, no representation, warranty or covenant of the Town set forth in this Section 7 omits or will omit a material fact, is inaccurate or would operate to make the statements contained herein or therein materially misleading.

(j) The truth of the representations set forth in this Section 7 is a condition precedent to the Company's performance of its obligations under this Agreement. The Town has an affirmative obligation to notify the Company of any changes in the representations during the term of this Agreement.

8. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to the Town that:

(a) The Company is a business corporation duly organized, existing and in good standing under the laws of New York. The Company has the power to own its property and to carry on its business as it is now conducted, in the places where such business is now conducted, including the State of New York.

(b) The Company is not a party or subject to any judgment, order or decree entered in any action or proceeding brought by any governmental agency or any other party against it enjoining it in respect of any business practice, with a conduct of business in any area or the

acquisition of any property or which would prevent the consummation of the transactions provided for herein.

(c) To the best of the Company's actual knowledge and belief, no representation or warranty of the Company contained in this Section 8 omits or will omit a material fact, is inaccurate or would operate to make the statements contained herein or therein materially misleading.

(d) The Company has full power and authority to enter into and perform this Agreement in accordance with its terms and execution and delivery of this Agreement by the Company has been fully authorized by all requisite corporate action, and the execution and delivery of this Agreement does not and, the consummation of the transactions contemplated hereby will not, violate any provision of any agreement to which the Company is a party or by which it is bound.

(e) As discussed in this Agreement, during and throughout the term of this Agreement, the Company shall meet with and cooperate with the Town in connection with pre-planning components of the Project. Such cooperation shall include, without limitation, the formulation of the Conceptual Development Plan, scoping of the GEIS, and preparation of funding applications for the Project and the payment of all costs, fees and expenses as set forth herein in Section 3 hereof.

(f) The truth of these representations and warranties is a condition precedent to the Town's performance of its obligations under this Agreement. The Company has an affirmative obligation to notify the Town of any changes in the representations and warranties during the term of this Agreement.

(g) On or before the execution of this Agreement, the Company shall provide the Town with duly adopted resolution(s) authorizing the Company, and the individual signing on behalf of the Company, to sign this Agreement, together with corresponding resolution(s) related to the Guaranty.

9. DEFAULTS AND TERMINATION.

(a) Defaults with Respect to Obligations and Termination.

(i) If the Company or the Town defaults as to any of the material provisions of this Agreement, and the nondefaulting party serves the defaulting party with written notice specifying the default, the defaulting party shall have thirty (30) days from receipt of such notice to cure such default. Should any default be of a nature which cannot, with diligent efforts, be cured within thirty (30) days, the defaulting party shall not be deemed to be in default hereof so long as that party commences the cure within such thirty (30) days and thereafter diligently prosecutes such cure to completion. Failure of the defaulting party to cure the default within such time period shall automatically entitle the nondefaulting party to exercise its rights set forth below. The parties agree and acknowledge that the failure of the Town to adopt any Proposed Zoning Change is a discretionary act of the Town and shall not constitute a default of the Town under this Agreement.

(ii) If the Company fails to cure a default, the Town, provided it has satisfied all of its obligations under this Agreement and is not otherwise in default hereunder, may terminate this Agreement and, except as otherwise provided at Section 9(iv) below, this Agreement shall then become null and void and neither party shall have any further obligation to the other except for those obligations which expressly survive the termination of this Agreement.

(iii) If the Town fails to cure a default, the Buyer, provided it has satisfied all of its obligations under this Agreement and is not otherwise in default hereunder, shall be entitled to terminate this Agreement, in which case the Town shall refund the entire SEQRA Deposit paid by the Company, and the Company shall further be entitled to recover damages, as limited by Section 9(iv) below, provided, however, if the Company elects not to terminate this Agreement, but instead to move forward with its investigation, the Company shall not be entitled to a return of the SEQRA Deposit, or to recover monetary damages.

(iv) As actual damages are difficult to predict, the parties have agreed to liquidated amounts of damages reasonably estimated to relate to the amount each party would be damaged in the event of a breach by the other. These amounts substitute fully for actual damages and are intended as reasonable, fair, estimates and not as a penalty. In the event of the Town's uncured breach or default, the Company shall be entitled to a return of the SEQRA Deposit, together with a further payment of Five Hundred Thousand Dollars (\$500,000.00) as liquidated damages. In the event of an uncured breach or default on the part of the Company (and a voluntary termination shall not be deemed a default hereunder), Town's remedy shall be to retain the full amount of any monies paid by the Company as its SEQRA Deposit, together with the additional sum of \$100,000.00.

The liquidated amounts set forth herein shall be the parties sole remedy against the other, provided, however, such amounts are not intended to be in lieu of, or constitute a limitation on, the Company's obligation to defend and indemnify the Town as set forth herein, or as to other matters of restoration or remediation expressly made to survive the termination of this Agreement.

(b) **Non-Binding Mediation.** If there is a good faith dispute as to whether a default exists hereunder, or a dispute under Section 3 hereof, the parties agree to submit such dispute to non-binding mediation in accordance with the then prevailing Construction Industry Mediation Rules of the American Arbitration Association. Mediation shall proceed in advance of legal or equitable proceedings, which shall be stayed pending mediation for a period of sixty (60) days from the date of filing, unless stayed for a longer period by agreement of the parties or court order.

(c) **Termination for Discretionary Acts of the Town.** The Company may terminate this Agreement at any time during the term of this Agreement if the Town makes any discretionary act or decision with respect to the Proposed Zoning Change or the Property that renders the Project economically or otherwise unfeasible in the Company's sole, absolute and unfettered discretion. If the Company terminates this Agreement pursuant to this Section 9(c), the Company shall give written notice to the Town in accordance with Section 10 hereof, in which event the Company shall return the Property Documents to the Town and the parties

hereto shall be relieved of any further obligation or liability to each other, except as to those obligations and liabilities as shall expressly survive termination of this Agreement.

(d) Executing the Contract of Purchase and Sale. The parties agree that they, within thirty (30) days of the later of the adoption of (i) the SEQRA findings statement; or (ii) the Proposed Zoning Change; and provided this Agreement has not otherwise been terminated shall execute the Contract of Purchase and Sale annexed as Exhibit C hereto. Should either party then be in default of its obligations, the non-defaulting party may choose not to execute the Contract of Purchase and Sale and terminate this Agreement.

10. MISCELLANEOUS.

(a) Notices. All notices hereunder to the respective parties will be in writing and will be served by personal delivery or by prepaid, express mail (next day) via a reputable courier service, or by prepaid, registered or certified mail, addressed to the respective parties at their addresses set forth below. Any such notice to the Town or the Company will be deemed to be given and effective: (i) if personally delivered, then on the date of such delivery, (ii) if sent via express mail (next day), then one (1) business day after the date such notice is sent, (iii) if sent by registered or certified mail, then three (3) business days following the date on which such notice is deposited in the United States mail addressed as aforesaid, or (iv) if sent by telecopy, then at the time and on the date set forth on the telecopy confirmation sheet, provided that if the time of delivery is after 5:00 p.m. Eastern Time, delivery shall be deemed given on the next Business Day. Copies of all notices will be sent to the following:

If to the Town:

Town of Orangetown
Town Hall
26 Orangeburg Road
Orangeburg, New York 10962
Attn: Supervisor

And to its Attorney:

Town Attorney
Town Hall
26 Orangeburg Road
Orangeburg, New York 10962
Tel.: (845) 359-5100
Fax: (845) 359-2715

If to the Company:

James Driscoll, Area President
Steven Caporaso, Area Vice President
K. Hovnanian Companies
100 Fieldcrest Avenue
Edison, New Jersey 08837

And to its Attorney:

Stephanie Bortnyk, Esq.
K. Hovnanian Companies
110 Fieldcrest Avenue, CN7825
Edison, New Jersey 08837
Tel.: (732) 623-6819
Fax: (732) 225-3530

David R. Everett, Esq.
Robert M. Gach, Esq.
Whiteman Osterman & Hanna LLP
One Commerce Plaza
Albany, New York 12260
Tel.: (518) 487-7600
Fax: (518) 487-7777

All such addresses may be changed by notice given in accordance with this Section 10(a).

(b) Entire Agreement. No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced. This Agreement contains the entire agreement between the parties relating to the Proposed Zoning Change and the investigation of the Property by the Company. All prior negotiations between the parties with respect to the preliminary investigation stages of the Project are merged in this Agreement, and there are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, between them, with respect to the preliminary investigation stages of the Project, other than as set forth in this Agreement. The parties expressly acknowledge that the Contract of Purchase and Sale attached hereto shall be the definitive agreement between the parties with respect to all matters concerning the purchase and sale of the Property other than the preliminary investigation matters set forth herein.

(c) Survival of Representations, Warranties and Agreements. The representations, warranties, covenants, agreements and indemnities set forth herein and expressly stated to survive this Agreement shall remain operative and shall survive the termination of this Agreement and shall not be merged with any subsequent instrument of conveyance.

(d) Risk of Loss. Except as otherwise expressly provided herein, the risk of loss or damage to the Property by fire or other casualty during the term of this Agreement is assumed by the Town.

(e) Governing Law. This Agreement concerns real property located in the State of New York, and shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

(f) Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(g) Time. Time periods under this Agreement will exclude the first day and include the last day of such time period. If the date on which either the Town or the Company is required to take action under this Agreement is not a Business Day, the action shall be taken on the next succeeding Business Day.

(h) Captions. The captions of the various sections and paragraphs of this Agreement have been inserted only for the purpose of convenience; such captions are not a part of this Agreement and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement.

(i) No Third Party Beneficiaries. This Agreement is for the sole benefit of the Company and the Town and their respective legal representatives, successors, heirs and permitted assigns, and no other person or entity shall be entitled to rely upon or receive any benefit from this Agreement.

(j) Severability. Any term or provision of this Agreement that is determined by a court of competent jurisdiction to be invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement, or affecting the validity or enforceability of any of the terms or provisions of this Agreement.

(k) Limitation on Liability. Neither the members, managers, employees or agents of the Town or the Company, nor the shareholders, officers, directors, employees or agents of any of them shall be liable under this Agreement and all parties hereto shall look solely to the assets of the Town or the Company (including the Company's Guarantor), respectively, for the payment of any claim or the performance of any obligation hereunder.

(l) Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver, nor shall a waiver in any instance constitute a waiver in any subsequent instance. No waiver shall be binding unless executed in writing by the Party making the waiver.

(m) Headings. All Section headings contained in this Agreement are inserted only as a matter of convenience and reference and shall not be construed to define, limit, extend or describe the scope of this Agreement or the intent of any of its provisions.

(n) Construction. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. No provision of this Agreement shall be interpreted in favor of, or against, a party by reason of the extent to which such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft of such provision of this Agreement.

(o) Limitation on Assignment. Neither this Agreement nor any of the Approvals that may be granted may be assigned by the Company without the express written consent of the Town, it being specifically recognized and understood that the Company was selected after a multi-year selection process because the Town believes the Company is capable of executing the Project in a manner consistent with the goals of the Town for the development of the Project, including the recreation improvements to be developed for the Town. Notwithstanding the foregoing, the Company may assign this Agreement to an entity in which the Company maintains a controlling ownership interest or has common ownership with the Company, and further provided that; (i) in connection with the golf course improvements, the Company's Assignee shall provide, at a minimum, the same components as shown on Exhibit D hereto, and the same or better quality in the design, construction and execution of the golf course improvements as would be provided were "Bergstol Enterprises" the golf course designer/developer; (ii) such Assignee has a business office, and is otherwise authorized to do business, in New York State; and (iii) the Guarantor hereunder continues to guarantee the Assignee's performance hereunder. Provided further that no assignment shall be deemed to occur if the Company (i) enters into a joint venture to complete one or more elements of the Project; or (ii) participates in another form of financial partnership or arrangement with a third-party in relation to the Project. (It being expressly understood and agreed that the Guarantor's guaranty of obligations of the Company and Project under this Agreement shall be unaffected by any such joint or other internal business arrangement).

No assignment may take place without providing the Town with notice and documentation demonstrating compliance with the terms and conditions of this Agreement.

Provided the Company is not then in default of the terms of this Agreement, the Town may not assign this Agreement or negotiate with another party regarding the Property or the Project without the express written consent of the Company.

(p) Recording. Except as set forth hereafter, neither this Agreement nor any document referenced in this Agreement shall be recorded in any public office by or on behalf of either party. Notwithstanding the foregoing, the Company and the Town shall execute contemporaneously: (a) the "Short Form Agreement," attached hereto as Exhibit G, together with a New York State Form TP-584; and (b) the "Cancellation of Short Form Agreement," attached hereto as Exhibit H. The Company is authorized to record the Short Form Agreement in the Rockland County Clerk's Office. The Cancellation of Agreement shall be held by the Town's attorney until the earlier of: (a) the recording of a replacement Short Form Agreement, if ever, pursuant to the Contract of Purchase and Sale (which replacement Short Form Agreement shall be accompanied by a replacement Cancellation of Agreement); (b) written authorization from the Company to record the Cancellation of Agreement to the Town; (c) termination of this

Agreement in accordance with the terms hereof, or (d) upon the order of a court of competent jurisdiction.

(q) Binding Agreement. All terms of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective legal representatives, successors and assigns. This provision shall survive this Agreement and bind successors and assigns with respect to any post-closing obligations hereto.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

TOWN:

TOWN OF ORANGETOWN

By: 

Name:

Title:

TOM KLEIN
SUPERVISOR

8-16-07

COMPANY:

K. HOVNANIAN COMPANIES OF NEW YORK, INC.

By: 

Name:

Title:

STEVEN J. CAPORASO
AREA VICE PRESIDENT

8-16-07

DONNA A. MORRISON
Notary Public, State of New York
No. 01MO5081099
Qualified in Rockland County
Commission Expires June 30, 2011

UNCONDITIONAL GUARANTY
OF DEVELOPER'S AGREEMENT

In consideration of the agreement by the TOWN OF ORANGETOWN, a municipal corporation having offices at 26 Orangeburg Road, Orangeburg, New York 10962 (hereinafter the "Town") to enter into a Developer's Agreement (hereinafter the "Developer's Agreement") with K. HOVNANIAN COMPANIES OF NEW YORK, INC., a New York business corporation, with offices at 110 Fieldcrest Avenue, Edison, New Jersey 08818 (hereinafter the "Company"), relating to property located in the Town of Orangetown, formerly a part of the Rockland Psychiatric Center, K. HOVNANIAN HOLDINGS OF NEW JERSEY, LLC, a New Jersey limited liability company, with offices at 110 West Front Street, Red Bank, New Jersey

07701, (hereinafter the "Guarantor") hereby unconditionally guarantees to the Town against the Company the faithful performance of every obligation of the Company in and under the said Developer's Agreement, financial or otherwise, including such additional or different obligations as may arise in the future by agreement of the Town and Company ("Obligations").

Guarantors consent and agree that the Obligations of the Company may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, settled or released by agreement of the Town and the Company or otherwise dealt with by the Company, all without any notice to, further assent by, or loss of any rights against the Guarantor, and without in any way affecting or releasing the liability of the Guarantor hereunder.

If the Guarantor shall fail to perform any agreement contained herein or in any other agreement delivered by the Guarantor to the Town or, if default occurs in the punctual payment of any sum payable upon any of said Obligations or, if Guarantor or the Company or any other party to said Obligations should (i) dissolve or be dissolved; (ii) enter, voluntarily or involuntarily, into any insolvency proceedings, state or federal; or (iii) fail to pay any taxes when due or (iv) any other occurrence of default under any writing by the Company with the Town, the Obligations, upon the occurrence of any such event, shall become forthwith due and payable and otherwise the obligations of the Guarantor.

The Guarantor acknowledges that the Town may first seek recovery from the Guarantor before the Town brings any action against the Company.

The Guarantor waives any and all notices of acceptance of this Guaranty, of the creation of said Obligations, or of any renewals or extension thereof or of the reliance by the Town upon this Guaranty. The Guarantor waives protest, demand for payment, notice of default or non-payment to the Guarantor, the Company or any other party liable for any of said Obligations. This Guaranty shall be a continuing, absolute and unconditional guarantee of performance, including payment.

The execution and delivery hereafter to the Town by any Guarantor of a new instrument of guarantee shall not terminate, supersede or cancel this instrument, unless expressly provided therein. All rights and remedies of the Town hereunder or under any instrument of guarantee hereafter executed and delivered to the Town by any Guarantor shall be cumulative and may be exercised singly or concurrently.

No course of dealing between the Guarantor and the Town shall change or modify or discharge, in whole or in part, this Guaranty unless expressly agreed to in writing executed by the Town and Guarantor. No waiver of any rights or powers of the Town or consent by it shall be valid unless in writing and signed by the Town.

Any notice to Town shall be deemed effective only if sent to and received in the manner set forth in the Developer's Agreement. Any notice to the Guarantor shall be deemed sufficient if sent to Guarantor at the address of the Guarantor set forth herein, unless written notice of such change of address of Guarantor is sent to and received by the Town, with such change acknowledged as received by the Town.

The Guarantor agree that whenever any attorney, including the Town Attorney, is used to obtain payment under or otherwise enforce the Obligations of the Developer's Agreement or under this Guaranty, whether by suit or by any other means whatsoever, a reasonable attorneys' fee shall be an obligation of the Guarantor. Such sums are in addition to any amounts that the Town may otherwise be entitled to recover. The Town and Guarantor, in any litigation in which the Town and Guarantor shall be adverse parties, waive trial by jury and the Guarantor, in addition, waives the right to interpose any defense based on any claim of laches and any set-off or counterclaim of any nature. This Guaranty shall be governed by and construed in accordance with the laws of New York State.

Guarantor, if more than one, shall be jointly and severally bound and liable hereunder.

Each Guarantor acknowledges that Guarantor has had an opportunity to consult counsel of Guarantor's choice before executing this document.

Guarantors acknowledge that there are not representations that have been made by the Town upon which any Guarantor has relied in executing this document, other than those contained herein.

This Guaranty may not be changed orally. Any representations by the Town hereafter made by the Town to the Guarantor must be written in order for the Guarantor to rely upon said representations.

IN WITNESS WHEREOF, the undersigned have duly executed this instrument this ____ day of August, 2007.

K. HOVNANIAN HOLDINGS OF NEW JERSEY, LLC,

By: _____
(Name and Title)

STATE OF NEW JERSEY)
 : ss.:
COUNTY OF)

On the _____ day of _____, 2007, before me, the undersigned a Notary Public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which individual(s) acted, executed the instrument.

Notary Public

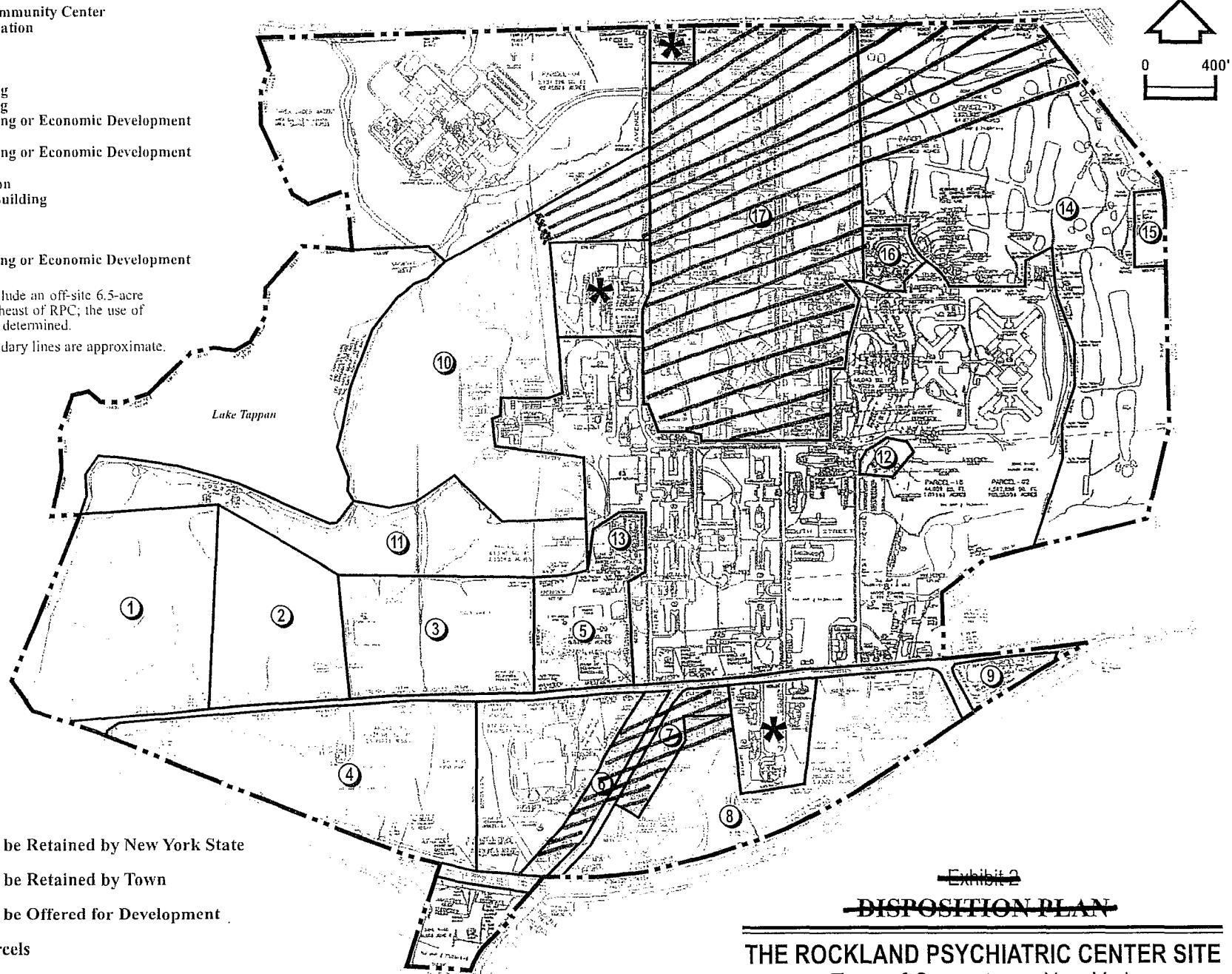
EXHIBIT A

== = APPROXIMATE BOUNDARIES OF PROPER TO BE CONVEYED TO K. HOVNANIAN

1. Town Pool and Community Center
2. Commercial Recreation
3. Athletic Fields
4. Athletic Fields
5. Athletic Fields
6. Affordable Housing
7. Affordable Housing
8. Low Impact Housing or Economic Development
9. Open Space
10. Low Impact Housing or Economic Development
11. Open Space
12. Religious Institution
13. GAA Recreation Building
14. Golf
15. Cemetery
16. Religious Use
17. Low Impact Housing or Economic Development

NOTE: Map does not include an off-site 6.5-acre parcel to the southeast of RPC; the use of which is yet to be determined.

NOTE: Open space boundary lines are approximate.



- ☐ Parcels to be Retained by New York State
- ☐ Parcels to be Retained by Town
- ☐ Parcels to be Offered for Development
- ☐ Other Parcels
- * Potential Additional Acquisition

Exhibit A
DISPOSITION PLAN
THE ROCKLAND PSYCHIATRIC CENTER SITE
Town of Orangetown, New York

Saccardi & Schiff, Inc. - Planning and Development Consultants

BASE MAP SOURCE: Hawk Engineering, PC

EXHIBIT B

PRELIMINARY CONCEPT PLAN



Overall Site Context

Four Seasons at Orangetown

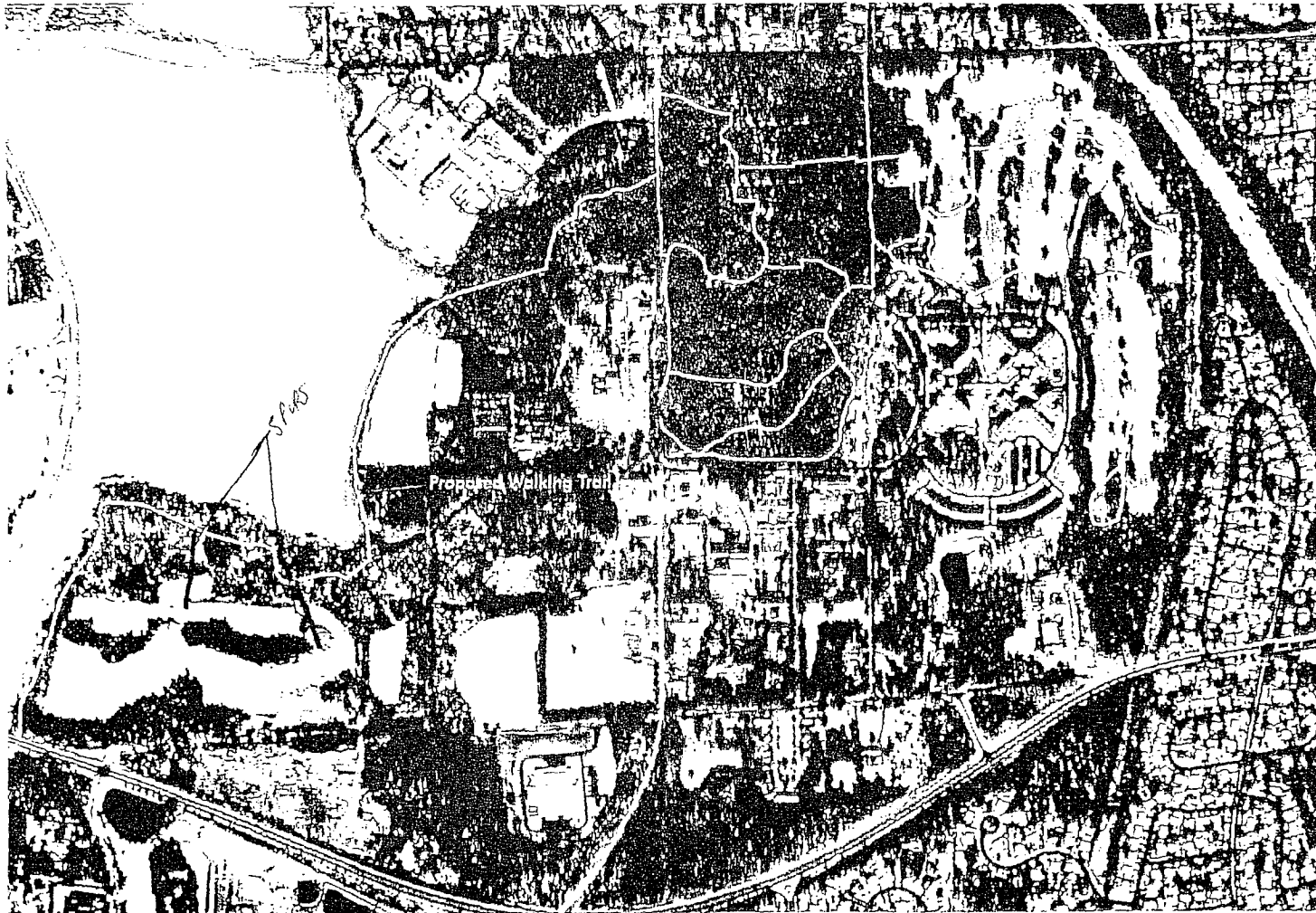
K Hovnanian • Edison, New Jersey

03.04031.01 • November 21, 2006



182 Nassau Street, Suite 201
Princeton, New Jersey 08542
Telephone 609 683 3600
Fax 609 683 0054
Internet: www.lrk.com

Memphis Nashville Princeton Celebration
Architecture • Planning • Interiors • Research



PROPOSED WALKING TRAIL SITE PLAN



FOUR SEASONS AT ORANGETOWN

K Hovnanian, Edison, New Jersey
July 11, 2007

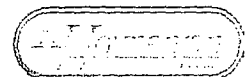


EXHIBIT C

CONTRACT OF PURCHASE AND SALE