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Representing Management Exclusively in Workplace Law and Related Litigation

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June 30, 2010

VIA FEDERAL EXPRESS

Via First Class Mail and Email (oag@oag.state.md.us)

Honorable Douglas F. Gansler
Office of the Attorney General
200 St. Paul Place
Baltimore, MD 21202

Re: Data Breach Notification

Dear Attorney General Gansler:

Please be advised that our client, K. Hovnanian Enterprises (K. Hovnanian), experienced a data breach when a spreadsheet containing K. Hovnanian employee and contractor social security numbers was inadvertently accessible on the Company's internal computer server. It appears that as many as 799 individuals could have been affected, including 12 residents of Maryland. K. Hovnanian plans to begin notifying the affected individuals in the next several days. A draft copy of the notification that will be sent is attached.

As set forth in the attached letter, K. Hovnanian has taken numerous steps to protect the security of the personal information of the affected individuals. Also, in addition to continuing to monitor this situation, K. Hovnanian is reexamining its current data privacy and security policies and procedures to find ways of reducing the risk of future data breaches. Should K. Hovnanian become aware of any significant developments concerning this situation, we will inform you.

If you require any additional information on this matter, please call me.

Sincerely,

JACKSON LEWIS LLP


Jason C. Gavejian

Encl.

[K. HOVNIANIAN LETTERHEAD]

June [INSERT DATE], 2010

[FIRST NAME] [LAST NAME]
[STREET ADDRESS]
[EXTENDED ADDRESS]
[CITY], [STATE] [ZIP]

Dear [FIRST NAME]:

On January 25, 2010, a spreadsheet containing certain personal information of current and/or former K. Hovnianian employees and contractors was inadvertently posted on the Company's electronic X-drive during a transition between old and new electronic systems. Specifically, the spreadsheet contained names and Social Security numbers, but did not otherwise describe, by name or title, the contents of the file.

Immediately upon discovering the presence of the document on the X-drive, the Company removed it.

The Company is not aware of any improper use of the personal information contained on the spreadsheet. Nonetheless, in the abundance of caution, the Company is sending this advisory to you and other individuals whose personal information may have been contained in the spreadsheet to make you aware of this incident so that you can take steps to minimize the possibility of misuse of your information. The attached sheet describes steps you can take to protect your identity, credit and personal information.

While we believe that there is little likelihood your information will be misused as a result of this incident, as a precaution we have arranged for Equifax Personal Solutions to provide you with 12months of credit monitoring and related services at no cost to you. To receive these services you must enroll with Equifax Personal Solutions within 60 days of the date of this letter.

Beginning July 1, 2010, we have arranged with Equifax Personal Solutions to help you protect your identity and your credit information at no cost to you. The steps to follow are:

1. Enroll in Equifax Credit Watch™ Gold with 3-in-1 Monitoring identity theft protection product. This product is being provided to you at no cost for one year.
2. Additionally, you may choose to adopt an increased level of protection by placing a fraud alert on your credit file at Equifax and the other two credit reporting agencies

Enroll in Equifax Credit Watch™ Gold with 3-in-1 Monitoring

Equifax Credit Watch will provide you with an "early warning system" to changes to your credit file and help you to understand the content of your credit file at the three major credit reporting agencies. The key features and benefits are listed below.

Equifax Credit Watch provides you with the following benefits:

- o Comprehensive credit file monitoring and automated alerts of key changes to your Equifax, Experian, and TransUnion credit reports
- o Wireless alerts and customizable alerts available
- o One 3-in-1 Credit Report and access to your Equifax Credit Report™
- o Up to \$1 million in identity theft insurance with \$0 deductible, at no additional cost to you †
- o 24 by 7 live agent Customer Service to assist you in understanding the content of your Equifax credit information, to provide personalized identity theft victim assistance and in initiating an investigation of inaccurate information.
- o 90 day Fraud Alert placement with automatic renewal functionality (available online only)

How to Enroll

To sign up online for online delivery go to www.myservices.equifax.com/tri

1. **Consumer Information:** complete the form with your contact information (name, address and e-mail address) and click "Continue" button. The information is provided in a secured environment.
2. **Identity Verification & Payment Information:** complete the form with your Social Security Number, date of birth, telephone numbers, create a User Name and Password, agree to the Terms of Use and enter the promotion code provided at the top of your letter in the "Enter Promotion Code" box and click "Continue" button. This code eliminates the need to provide a credit card number for payment. The system will ask you up to four security questions. This is the Equifax Identity Verification Process.
3. **Order Summary:** click "Continue" button.
4. **Order Confirmation:** – Click "View My Product" to access your 3-in-1 Credit Report and other product features.

To sign up for US Mail delivery, dial 1-866-937-8432 for access to the Equifax Credit Watch automated enrollment process. Note that all credit reports and alerts will be sent to you via US Mail only.

1. **Promotion Code:** You will be asked to enter your promotion code **INSERT PROMO CODE**.
2. **Customer Information:** You will be asked to enter your home telephone number, home address, name, date of birth and Social Security Number.
3. **Permissible Purpose:** You will be asked to provide Equifax with your permission to access your credit file and to monitor your file. Without your agreement, Equifax cannot process your enrollment.
4. **Order Confirmation:** Equifax will provide a confirmation number with an explanation that you will receive your Fulfillment Kit via the US Mail (when Equifax is able to verify your identity) or a Customer Care letter with further instructions (if your identity can not be verified using the information provided). Please allow up to 10 business days to receive this information.

Directions for placing a Fraud Alert

A fraud alert is a consumer statement added to your credit report. This statement alerts creditors of possible fraudulent activity within your report as well as requests that they contact you prior to establishing any accounts in your name. Once the fraud alert is added to your credit report, all creditors should contact you prior to establishing any account in your name. To place a fraud alert on your credit file, visit: www.fraudalerts.equifax.com or you may contact our auto fraud line at 1-877-478-7625, and follow the simple prompts. Once the fraud alert has been placed with Equifax, a notification will be sent to the other two credit reporting agencies, Experian and Trans Union, on your behalf.

We are committed to treating sensitive employee and vendor information in a confidential manner and are proactive in the careful handling of such information. We continue to assess and modify our privacy and data security policies and procedures to prevent similar situations from occurring.

We apologize sincerely for any inconvenience or discomfort this incident may cause you, and we encourage you to take advantage of the resources we have provided to you to protect your personal information. If you have questions or concerns you should call Equifax at 1-866-937-8432. You can also contact me at (732) 623-7080.

Sincerely,

Marie Schultz
VP, Human Resources
K. Hovnanian Companies
110 Fieldcrest Avenue
Edison, NJ 08818

What You Should Do to Protect Your Personal Information

We recommend you remain vigilant and consider taking one or more of the following steps to protect your personal information:

1. Contact the nationwide credit-reporting agencies as soon as possible to:
 - Add a security alert statement to your credit file at all three national credit-reporting agencies: Equifax, Experian, and TransUnion. You only need to contact one of the three agencies listed below; your request will be shared with the other two agencies. This security alert will remain on your credit file for 90 days.
 - Remove your name from mailing lists of pre-approved offers of credit for approximately six months.
 - Receive a free copy of your credit report by going to www.annualcreditreport.com.

Equifax
P.O. Box 740256
Atlanta, GA 30374
(800) 525-6285
www.equifax.com

Experian
P.O. Box 9554
Allen, TX 75013
(888) 397-3742
www.experian.com/consumer

TransUnion
P.O. Box 2000
Chester, PA 19022
(800) 888-4213
www.transunion.com

2. If you aren't already doing so, please pay close attention to all bills and credit-card charges you receive for items you did not contract for or purchase. Review all of your bank account statements frequently for checks, purchases or deductions not made by you. Note that even if you do not find suspicious activity initially, you should continue to check this information periodically since identity thieves sometimes hold on to stolen personal information before using it.
3. The Federal Trade Commission ("FTC") offers consumer assistance and educational materials relating to identity theft and privacy issues. The FTC can be contacted either by visiting www.ftc.gov, www.consumer.gov/idtheft, or by calling (877) 438-4338. If you suspect or know that you are the victim of identity theft, you should report it to appropriate law enforcement and you can report it to the Fraud Department of the FTC, who will collect all information and make it available to law-enforcement agencies. Contact information for the FTC is:

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue
NW Washington, DC 20580

4. *For Maryland Residents:* The contact information for the State's Office of the Attorney General, which provides information about how to avoid identity theft, is

Honorable Douglas F. Gansler
Office of the Attorney General
200 St. Paul Place
Baltimore, MD 21202

Website: <http://www.oag.state.md.us>
Telephone number: (888) 743-0023
(toll-free in Maryland)

5. *For West Virginia Residents:* You have the right to obtain a copy of the applicable police report relating to this incident. You may want to place a "security freeze" on your credit account. This means that your credit account cannot be shared with potential creditors. A security freeze can help prevent new account identity theft. If you would like to request a security freeze be placed on your account, you must write by certified or overnight mail (see addresses at link below) to each of the three credit reporting agencies, or through the electronic or Internet method made available by the credit reporting agencies. Credit reporting agencies charge a \$5 fee to place or remove a security freeze, unless you provide proof that you are a victim of identity theft, in which case there is no fee. A copy of your

police report or an investigative report or written FTC complaint documenting identity theft must be included to avoid a fee. In your request, you also must include (documentation for both the spouse and the victim must be submitted when requesting for the spouse's credit report) (i) a copy of either the police report or case number documenting the identity theft, if you are a victim of identity theft; (ii) your full name (including middle initial as well as Jr., Sr., II, III, etc.) address, Social Security number, and date of birth; (iii) if you have moved in the past 5 years, the addresses where you have lived over the prior 5 years; (iv) proof of current address such as a current utility bill or phone bill; (v) a photocopy of a government issued identification card (state driver's license or ID card, military identification, etc.); and, if applicable (vi) payment by check, money order or credit card (Visa, Master Card, American Express or Discover cards only.) For more information, go to

<http://www.consumersunion.org/pdf/security/securityWV.pdf>

Alternatively, you could place a fraud alert with the credit reporting agencies. This will flag your file with a statement that says you may be a victim of fraud and that creditors should phone you before extending credit. To place a fraud alert on your credit file call the fraud department of one of the three credit reporting agencies -- Experian, Equifax, or TransUnion (see above). When you request a fraud alert from one agency, it will notify the other two for you. You can place an initial fraud alert for only 90 days, and you may cancel the fraud alerts at any time.