

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _____ to _____

Commission file number 1-12378

NVR, INC.

(Exact name of registrant as specified in its charter)

VIRGINIA

54-1394360

(State or other jurisdiction of
incorporation or organization)

(IRS employer
identification number)

7601 Lewinsville Road, Suite 300
McLean, Virginia 22102
(703) 761-2000

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common stock, par value
\$0.01 per share

American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

As of February 24, 1999 the aggregate market value of the voting stock held by
non-affiliates of NVR, Inc. based on the closing price reported on the American
Stock Exchange for the Common Stock of NVR, Inc. on such date was approximately
\$433.3 million. As of February 24, 1999 there were 10,973,227 total shares of
common stock outstanding.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Section 12, 13 or 15 (d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. Yes No

DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF THE PROXY STATEMENT OF NVR, INC. TO BE FILED WITH THE SECURITIES AND
EXCHANGE COMMISSION PURSUANT TO REGULATION 14A OF THE SECURITIES EXCHANGE ACT OF
1934 ON OR PRIOR TO APRIL 30, 1999 ARE INCORPORATED BY REFERENCE INTO PART III
OF THIS REPORT.

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PART I

ITEM 1. BUSINESS

GENERAL

NVR, Inc. ("NVR" or the "Company") was formed in 1980 as NVHomes, Inc. ("NVH"). The Company operates in two business segments: 1) the construction and marketing of homes and 2) mortgage banking. To simplify its capital structure, effective September 30, 1998, NVR merged each of NVR Homes, Inc., NVR's wholly owned homebuilding subsidiary, and NVR Financial Services, Inc., NVR's wholly owned mortgage banking holding company, into the Company. The Company now conducts its homebuilding activities both directly and through its wholly owned subsidiary, Fox Ridge Homes, Inc. The Company conducts its mortgage banking operations primarily through another wholly owned subsidiary, NVR Mortgage Finance, Inc. ("NVR Finance"). Unless the context otherwise requires, references to "NVR" or the "Company" include its subsidiaries.

NVR is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, Maryland metropolitan areas, where NVR derived an aggregate of approximately 63% and 66% of its 1998 and 1997 homebuilding revenues, respectively. NVR's homebuilding operations construct and sell single-family detached homes, townhomes and condominium buildings under three tradenames: Ryan Homes, NVHomes and Fox Ridge Homes. The Ryan Homes product, which is built in sixteen metropolitan areas located in Maryland, Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware and Tennessee, is moderately priced and marketed primarily towards first-time buyers. The NVHomes product is built largely in the Washington, D.C. metropolitan area, and is marketed primarily to move-up buyers. The Fox Ridge Homes product, built solely in the Nashville, Tennessee metropolitan area, is moderately priced and marketed primarily to first-time buyers. In 1998, the average price of a unit settled by NVR was approximately \$196,000.

NVR obtains land for homebuilding by acquiring control over finished building lots through option contracts with land developers that require forfeitable deposits, thereby reducing the financial requirements and risks associated with direct land ownership. NVR generally seeks to maintain control over an inventory of lots sufficient to provide for the next 18 to 24 months of projected home sales, based upon projected sales volumes in the various communities in which it operates.

In addition to building and selling homes, NVR provides a number of mortgage-related services through its national mortgage banking operations, which operate in 16 states. NVR's mortgage banking business generates revenues primarily from origination fees, gains on marketing of loans, title fees, and sales of servicing rights. Although NVR's mortgage banking operations provide financing to a substantial portion of NVR's homebuilding customers, NVR's homebuilding customers accounted for only 31% of the aggregate dollar amount of loans closed in 1998. In 1998, NVR's mortgage banking business closed approximately 21,000 loans with an aggregate principal amount of approximately \$2.7 billion. NVR's mortgage banking business sells all of the mortgage loans it closes into the secondary markets. The total servicing portfolio balance at December 31, 1998 is approximately \$261 million in principal amounts of loans serviced.

Segment information for NVR's homebuilding and mortgage banking businesses is included in note 2 to NVR's consolidated financial statements.

HOMEBUILDING

PRODUCTS

NVR offers single-family detached homes, townhomes, and condominium buildings with many different basic home designs which have a variety of elevations and numerous other options. Homes built by NVR combine traditional or colonial exterior designs with contemporary interior designs and amenities. NVR's homes range from 985 to 5,410 square feet, with two to five bedrooms, and are priced from approximately \$80,000 to \$760,000.

MARKETS

The following table summarizes settlements and contracts for sales of homes for each of the last three years by region:

REGION	SETTLEMENTS			CONTRACTS FOR SALE (NET OF CANCELLATIONS)		
	YEAR ENDED DECEMBER 31,			YEAR ENDED DECEMBER 31,		
	1998	1997	1996	1998	1997	1996
Washington/Baltimore	4,358	3,774	3,834	5,165	4,084	3,751
Other (1)	3,264	2,333	1,861	3,835	2,602	1,939
Total	7,622	6,107	5,695	9,000	6,686	5,690

(1) Includes Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Tennessee and Delaware.

CONSTRUCTION

Construction work on NVR's homes is performed by independent subcontractors under fixed-price contracts. The work of subcontractors is performed under the supervision of NVR employees who monitor quality control. NVR uses many independent subcontractors representing the building trades in its various markets and is dependent neither on any single subcontractor nor on a small number of subcontractors.

SALES AND MARKETING

NVR's preferred marketing method is for customers to visit a furnished model home featuring many built-in options and a landscaped lot. The garages of these homes are usually converted into temporary sales centers where alternative facades and floor plans are displayed and designs for other models are available for review. Sales representatives are compensated predominantly on a commission basis.

REGULATION

NVR and its subcontractors must comply with various federal, state and local zoning, building, environmental, advertising and consumer credit statutes, rules and regulations, as well as other regulations and requirements in connection with its construction and sales activities. All of these regulations have increased the cost required to market NVR's products. Counties and cities in which NVR builds homes have at times declared moratoriums on the issuance of building permits and imposed other restrictions in the areas in which sewage treatment facilities and other public facilities do not reach minimum standards. To date, restrictive zoning laws and imposition of moratoriums have not had a material adverse effect on NVR's construction activities. However, there is no assurance that such restrictions will not adversely affect NVR in the future.

COMPETITION, MARKET FACTORS AND SEASONALITY

The housing industry is highly competitive. NVR competes with numerous homebuilders of varying size, ranging from local to national in scope, some of whom have greater financial resources than NVR. The Company also faces competition from the home resale market. NVR's homebuilding operations compete primarily on the basis of price, location, design, quality, service and reputation. NVR's homebuilding operations historically have been one of the market leaders in each of the markets where NVR operates.

The housing industry is cyclical and is affected by consumer confidence levels, prevailing economic conditions and interest rates. In addition, a variety of other factors affect the housing industry and the demand for new homes, including the availability and increases in the cost of land, labor and materials, changes in consumer preferences, demographic trends and the availability of mortgage finance programs.

The results of NVR's homebuilding operations generally reflect the seasonality of the housing market in the Middle Atlantic region of the United States. NVR historically has entered into more sales contracts in this region during the first and second quarters.

NVR is dependent upon building material suppliers for a continuous flow of raw materials. Whenever possible, NVR utilizes standard products available from multiple sources. Such raw materials have been generally available in adequate supply.

MORTGAGE BANKING

NVR provides a number of mortgage related services to its homebuilding customers and to other customers through its mortgage banking operations. The mortgage banking operations of NVR also include separate companies which broker title insurance and perform title searches in connection with mortgage loan closings for which they receive commissions and fees.

NVR's mortgage banking business sells all of the mortgage loans it closes to investors in the secondary markets, rather than holding them for investment. NVR's wholly-owned subsidiary, NVR Finance is an approved seller/servicer for FNMA, GNMA, FHLMC, VA and FHA mortgage loans. The size of its servicing portfolio is approximately \$261 million in principal amount of loans being serviced at the end of 1998. Beginning in 1997, NVR's mortgage banking operations began to sell future originated mortgage servicing rights on a flow basis in order to concentrate its mortgage banking operations on the primary business of providing mortgage financing to NVR and other homebuyers.

MORTGAGE-BACKED SECURITIES

NVR's limited purpose subsidiary ("Limited-Purpose Financing Subsidiary") was organized to facilitate the financing of long-term mortgage loans through the sale of bonds collateralized by mortgage-backed securities, including certificates guaranteed as to the full and timely payment of principal and interest by FNMA, and certificates guaranteed as to payment of principal and interest by GNMA and FHLMC. The issuance of mortgage-collateralized bonds has in the past facilitated NVR's ability, through its mortgage-banking subsidiaries, to provide home mortgage financing to its customers. There have been no bonds issued since 1988.

COMPETITION AND MARKET FACTORS

NVR's mortgage banking operations operate through 27 offices in 16 states. Their main competition comes from national, regional, and local mortgage bankers, thrifts and banks in each of these markets. NVR's mortgage banking operations compete primarily on the basis of customer service, variety of products offered, interest rates offered, prices of ancillary services and relative financing availability and costs.

REGULATION

NVR Finance, as an approved seller/servicer of FNMA, GNMA, FHLMC, FHA and VA mortgage loans, is subject to the rules, regulations and guidelines of, and examinations by, those agencies, which restrict certain activities of NVR Finance. NVR Finance is currently eligible and expects to remain eligible to participate in such programs; however, any significant impairment of its eligibility could have a material adverse impact on its operations. In addition, NVR Finance is subject to regulation at the state and federal level with respect to specific origination, selling and servicing practices.

EMPLOYEES

At December 31, 1998, NVR employed 3,070 full-time persons, of whom 844 were officers and management personnel, 174 were technical and construction personnel, 809 were sales personnel, 524 were administrative personnel and 719 were engaged in various other service and labor activities. None of the Company's employees are subject to a collective bargaining agreement and the Company has never experienced a work stoppage. Management believes that its employee relations are good.

ITEM 2. PROPERTIES

NVR's executive offices are located in McLean, Virginia, where NVR currently leases office space for a nine and one-half year term expiring in March 2005.

During 1998 NVR conducted certain other administrative functions of both its homebuilding and mortgage banking segments in two buildings in Robinson Township, a suburb of Pittsburgh, Pennsylvania. During December 1998, NVR exercised an option to purchase the two buildings, thereby extinguishing the related capital lease obligation, incurring an approximate \$2.3 million extraordinary loss, net of applicable taxes (\$0.17 per diluted share). Subsequent to December 31, 1998, the Company sold both buildings to an unrelated third party and leased back one of the buildings under an operating lease for a five-year term expiring in 2004. There was no resultant material gain or loss on the sale transaction.

NVR's manufacturing facilities are located in Thurmont, Maryland; Farmington, New York; Clover, South Carolina and Darlington, Pennsylvania. NVR has leased the Thurmont and Farmington manufacturing facilities for a term expiring in 2014 with various options for extension of the leases and for the purchase of the facilities. The Clover and Darlington leases expire in 2002 and 2005, respectively, and also contain various options for extensions of the leases and for the purchase of the facilities.

NVR also leases office space in 72 locations in 16 states for field offices, mortgage banking and title services branches and certain model homes under leases expiring at various times through 2008. NVR anticipates that, upon expiration of existing leases, it will be able to renew them or obtain comparable facilities on acceptable terms.

ITEM 3. LEGAL PROCEEDINGS

NVR and its subsidiaries are involved in litigation arising from the normal course of business. In the opinion of management, the litigation that is currently pending will not have any material adverse effect on the financial position or results of operations of NVR.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

NONE

EXECUTIVE OFFICERS OF THE REGISTRANT

NAME ----	AGE ---	POSITIONS -----
Dwight C. Schar	57	Chairman of the Board, President and Chief Executive Officer of NVR
William J. Inman	51	President of NVR Mortgage Finance, Inc.
James M. Sack	48	Vice President, Secretary and General Counsel of NVR
Paul C. Saville	43	Senior Vice President Finance and Chief Financial Officer of NVR
Dennis M. Seremet	43	Vice President and Controller of NVR

Dwight C. Schar has been chairman of the board, president and chief executive officer of NVR since September 30, 1993.

William J. Inman has been president of NVR Mortgage Finance, Inc. since January 1992.

James M. Sack has been vice president, secretary and general counsel of NVR since September 30, 1993. Mr. Sack is currently principal of the law firm Sack & Associates, P.C. in McLean, Virginia.

Paul C. Saville has been senior vice president finance, chief financial officer and treasurer of NVR since September 30, 1993.

Dennis M. Seremet has been vice president and controller of NVR since April 1, 1995. Previously, Mr. Seremet served as vice president finance of NVR Homes, Inc., to which he was appointed on September 30, 1993.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

NVR's shares of common stock are listed and principally traded on the American Stock Exchange ("AMEX"). The following table sets forth for the periods indicated the high and low closing sales prices per share for the years 1998 and 1997 as reported by the AMEX.

	HIGH -----	LOW -----
PRICES PER SHARE:		
1997:		
First Quarter.....	15-5/8	12-1/4
Second Quarter.....	16	12-1/4
Third Quarter.....	27-3/4	15
Fourth Quarter.....	25-7/16	20-3/4
1998:		
First Quarter.....	33-3/4	22-5/16
Second Quarter.....	41-1/4	31-3/16
Third Quarter.....	46	32-3/8
Fourth Quarter.....	47-11/16	24-7/8

As of the close of business on February 24, 1999, there were 1,006 shareholders of record.

NVR has not paid any cash dividends on its shares of common stock during the years 1998 or 1997. NVR's bank indebtedness and the indenture governing NVR's 8% Senior Notes due 2005 contain restrictions on the ability of NVR to pay dividends on its common stock. See note 6 to the financial statements for a detailed description of the Senior Note restrictions.

ITEM 6. SELECTED FINANCIAL DATA (dollars in thousands, except per share

amounts)

The following tables set forth selected consolidated financial information for NVR. The selected income statement and balance sheet data have been extracted from NVR's consolidated financial statements for each of the periods presented. The selected financial data should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and related notes included elsewhere in this report.

	YEAR ENDED DECEMBER 31				
	1998	1997	1996	1995	1994 \ (1) \
CONSOLIDATED INCOME STATEMENT DATA:					
HOMEBUILDING DATA:					
Revenues	\$1,504,744	\$1,154,022	\$1,045,930	\$869,119	\$ 820,915
Gross profits	230,929	158,167	139,675	118,084	104,827
MORTGAGE BANKING DATA:					
Mortgage banking fees (2)	42,703	25,946	24,029	26,297	25,118
Interest income	9,861	6,415	5,351	4,744	5,288
Interest expense	6,120	3,544	2,249	2,090	2,364
CONSOLIDATED DATA:					
Income before discontinued operations and extraordinary gains/(loss)	\$ 66,107	\$ 28,879	\$ 25,781	\$ 16,400	\$ 9,018
Income before discontinued operations and extraordinary gains/(loss) per diluted share (3)	\$ 4.97	\$ 2.18	\$ 1.70	\$ 1.06	\$ 0.53

	DECEMBER 31				
	1998	1997	1996	1995	1994 \ (1) \
CONSOLIDATED BALANCE SHEET DATA:					
Homebuilding inventory	\$ 288,638	\$ 224,041	\$ 171,693	\$ 154,713	\$ 109,538
Total assets (4)	724,359	564,621	501,165	513,598	446,942
Notes and loans payable (4)	320,337	248,138	201,592	221,295	184,414
Equity	165,719	144,640	152,010	146,180	129,522

(1) Effective September 30, 1993, NVR Savings Bank, F.S.B. ("NVRSB") is presented on a discontinued operations basis. In March 1994, NVR completed the sale of the assets and liabilities of NVRSB to a financial institution.

(2) Effective January 1, 1995, NVR adopted Statement of Financial Accounting Standards ("SFAS") No. 122, Accounting For Mortgage Servicing Rights. SFAS No. 122, as superseded by SFAS No. 125, Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, requires that a mortgage banking enterprise that acquires mortgage servicing rights through either the purchase or origination of mortgage loans recognize those rights as separate assets by allocating the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair value. Retroactive application of SFAS No. 122 to periods prior to the fiscal year of adoption is prohibited, and thus, mortgage banking fees for the years ended December 31, 1998, 1997, 1996 and 1995 are not directly comparable to prior periods. For the years ended December 31, 1998, 1997, 1996 and 1995, application of SFAS No. 122 increased (decreased) mortgage banking fees by \$2,537, \$(928), \$906 and \$1,717, respectively.

(3) For the years ended December 31, 1998, 1997, 1996, 1995 and 1994, income from continuing operations per diluted share was computed based on 13,300,064, 13,244,677, 15,137,009, 15,405,263, and 17,097,172 shares, respectively, which represents the weighted average number of shares and share equivalents outstanding. The weighted average number of shares and share equivalents were calculated based upon the requirements of SFAS No. 128, Earnings per Share, for all periods presented and represent the shares and share equivalents used to calculate diluted earnings per share before discontinued operations and extraordinary gains/(losses).

(4) Effective in the fourth quarter of 1996, the Limited Purpose Financing Subsidiary is presented on a net basis. Accordingly, balance sheet data for prior periods have been reclassified to reflect this change. See note 1 to the accompanying consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS

(dollars in thousands except per share data)

FORWARD-LOOKING STATEMENTS

Some of the statements in this Form 10-K, as well as statements made by the Company in periodic press releases, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereof or comparable terminology, or by discussion of strategies, each of which involves risks and uncertainties. All statements other than of historical facts included herein, including those regarding market trends, the Company's financial position, business strategy, projected plans, objectives of management for future operations and certain statements regarding the Company's Year 2000 readiness, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, general economic and business conditions (on both a national and regional level), interest rate changes, competition, the availability and cost of land and other raw materials used by the Company in its homebuilding operations, shortages of labor, weather related slow downs, building moratoria, governmental regulation, the ability of the Company to integrate any acquired business, technological problems encountered with Year 2000 issues, certain conditions in financial markets and other factors over which the Company has little or no control.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

NVR, Inc. ("NVR" or the "Company") operates in two business segments: homebuilding and mortgage banking. The results of these two segments are discussed separately below. Corporate general and administrative expenses are fully allocated to the homebuilding and mortgage banking segments in the information presented below.

Effective September 30, 1998, NVR merged each of NVR Homes, Inc., NVR's wholly owned homebuilding subsidiary, and NVR Financial Services, Inc., NVR's wholly owned mortgage banking holding company, into the Company. The Company now conducts its homebuilding activities both directly and through its wholly owned subsidiary, Fox Ridge Homes, Inc ("Fox Ridge"). The Company conducts its mortgage banking operations primarily through another wholly owned subsidiary, NVR Mortgage Finance, Inc. ("NVR Finance").

HOMEBUILDING SEGMENT

Homebuilding revenues for 1998 increased 30% to \$1,504,744 from \$1,154,022 in 1997. The increase in revenues was primarily due to a 25% increase in the number of homes settled from 6,107 units in 1997 to 7,622 units in 1998 and to a 5% increase in the average settlement price from \$187.7 in 1997 to \$196.4 in 1998. New orders for 1998 increased 35% to 9,000 units compared with 6,686 units in 1997. The increase in new orders was the result of continuing favorable market conditions in most of the markets in which the Company operates as compared to the prior year, and to a lesser extent, new orders generated by Fox Ridge, acquired by the Company during the fourth quarter of 1997. Homebuilding revenues for 1997 increased 10.3% to \$1,154,022 from \$1,045,930 in 1996. The increase in revenues was primarily due to a 7.2% increase in the number of homes settled from 5,695 units in 1996 to 6,107 units in 1997 and to a 2.7% increase in the average settlement price from \$182.7 in 1996 to \$187.7 in 1997. New orders for 1997 increased 17.5% to 6,686 units compared with 5,690 units in 1996. The increase in new orders is attributed to a more favorable interest rate environment in 1997 compared to the prior year, and to sales associated with the Company's expansion markets.

Gross profit margins increased to 15.3% in 1998 compared to 13.7% in 1997. The increase in gross profit margins from that experienced in 1997 was primarily attributable to the continuing favorable market conditions, improved margins in the Company's expansion markets and the Company's continued emphasis on controlling construction costs. Gross profit margins increased to 13.7% in 1997 compared to 13.4% in 1996. The increase in gross profit margins from that experienced in 1996 was primarily attributable to more favorable market conditions in certain of the Company's markets, fewer additional weather-related costs incurred in the construction of homes as a result of mild winter weather conditions in NVR's principal markets in the first quarter of 1997 as compared to the first quarter of 1996, and continued emphasis on controlling construction costs.

SG&A expenses for 1998 increased \$26,098 to \$113,329 from \$87,231 in 1997, but as a percentage of revenues fell to 7.5% in 1998 from 7.6% in 1997. The increase in SG&A dollars is due primarily to the aforementioned increase in revenues, a net year to year increase for certain management incentive plans and to increased costs incurred in the Company's expansion markets. SG&A expenses for 1997 increased \$16,047 to \$87,231 from \$71,184 in 1996, and as a percentage of revenues increased to 7.6% in 1997 from 6.8% in 1996. The dollar increase is partially due to increased costs that correspond to the aforementioned increase in revenues, and costs incurred to grow the Company's expansion markets to full operational levels. Further, the higher SG&A in 1997 as compared to 1996 is also attributable to an increase of approximately \$6,000 for non-cash compensation costs related to the 1994 Management Equity Incentive Plan ("Plan"), a variable stock plan adopted by the Board of Directors pursuant to the Company's 1993 Plan of Reorganization ("Reorganization Plan"), and to a non-recurring \$1,600 incentive payment earned by and paid to the Company's Board of Directors also pursuant to the terms of the Company's Reorganization Plan.

The final one-third of the 1,095,200 total shares granted under the Plan are eligible to vest in calendar year 1999 if certain full year earnings targets for 1999 are met or exceeded. Pursuant to the Plan, the approximately 365,000 shares eligible for vesting in 1999 may vest at a date earlier than December 31, 1999 if the 1999 full-year earnings targets specified in the Plan are met or exceeded prior to December 31, 1999. Plan participants must be employed by the Company on December 31, 1999 to be eligible to receive the shares. The compensation cost recognized in SG&A in the Company's 1999 income statement relative to the Plan will depend on the market value of NVR common stock on the vesting determination date. Compensation cost recognized in SG&A relative to the Plan totaled \$9,081 and \$7,986 for the years end December 31, 1998 and 1997, respectively. Compensation cost relative to the Plan is non-cash.

Backlog units and dollars were 4,573 and \$958,757, respectively, at December 31, 1998 compared to backlog units of 3,195 and dollars of \$623,705 at December 31, 1997. The increase in backlog dollars and units was primarily due to a 31% increase in new orders for the six months ended December 31, 1998 as compared to the six months ended December 31, 1997. Backlog units and dollars were 3,195 and \$623,705, respectively, at December 31, 1997 compared to backlog units of 2,466 and dollars of \$453,211 at December 31, 1996. The increase in backlog dollars and units was primarily due to a 33.5% increase in new orders for the six months ended December 31, 1997 as compared to the six months ended December 31, 1996.

The Company believes that earnings before interest, taxes, depreciation and amortization ("EBITDA") provides a meaningful comparison of operating performance of the homebuilding segment because it excludes the amortization of certain intangible assets and other non-cash items. Although the Company believes the calculation is helpful in understanding the performance of the homebuilding segment, EBITDA should not be considered a substitute for net income or cash flow as indicators of the Company's financial performance or its ability to generate liquidity.

CALCULATION OF HOMEBUILDING EBITDA:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Operating income	\$111,927	\$65,533	\$62,755
Depreciation	3,490	3,588	2,863
Amortization of excess reorganization value/goodwill	7,547	6,635	7,048
Other non-cash items	9,081	7,986	2,239
Homebuilding EBITDA	\$132,045	\$83,742	\$74,905
% of Homebuilding revenues	8.8%	7.3%	7.2%

Homebuilding EBITDA in 1998 was 58% higher than in 1997, and as a percentage of revenues increased from 7.3% in 1997 to 8.8% in 1998. Homebuilding EBITDA in 1997 was 11.8% higher than in 1996, and as a percentage of revenues increased from 7.2% in 1996 to 7.3% in 1997.

MORTGAGE BANKING SEGMENT

The mortgage banking segment generated operating income of \$15,968 for the year ended December 31, 1998 compared to operating income of \$4,767 during the year ended December 31, 1997 and operating income of \$2,583 during the year ended December 31, 1996. Mortgage loan closings were \$2,717,456, \$1,485,763 and \$1,243,945 during the respective years ended December 31, 1998, 1997 and 1996.

Operating income was higher in 1998 in comparison to 1997 as a result of the increase in mortgage loan closings noted previously. Mortgage banking fees, a summary of which is presented below, increased \$16,757 when comparing 1998 and 1997 and increased \$1,917 when comparing 1997 and 1996.

MORTGAGE BANKING FEES:	1998	1997	1996
Net gain on sale of loans	\$31,071	\$16,731	\$14,401
Servicing	1,276	1,733	4,894
Title services	8,988	6,413	5,928
Gain (loss) on sale of servicing	1,368	1,069	(1,194)
	\$42,703	\$25,946	\$24,029

Mortgage banking fees in 1998 were higher in comparison to 1997, primarily as a result of higher gain on sale of loans and higher title services revenues. The higher gain on sale of loans and title services revenues can also be attributed to increased mortgage loan closings. Partially offsetting the increase in mortgage banking fees were volume-related increases in SG&A expenses.

Mortgage banking fees in 1997 were higher in comparison to 1996, primarily as a result of higher gain on sale of loans. The higher gain on sale of loans can be attributed to increased loan closings and higher servicing values realized through the sale of mortgage servicing rights. These gains were partially offset by the lower servicing fee revenues resulting from the reduction in the mortgage servicing portfolio. Operating income was also higher in 1997 in comparison to 1996 as a result of the increase in mortgage loan closings noted above and other income from a joint venture, which effectively began operations during 1997.

Effective during the second quarter of 1997, the mortgage banking operations sold the remaining portion of its core mortgage servicing portfolio. The sale of the core mortgage servicing portfolio and the ongoing sale of servicing rights on a flow basis are the result of the concentration of the mortgage banking operations on the primary business of providing mortgage financing and related services to NVR's homebuilding customers and other homebuyers.

SEASONALITY

The results of NVR's homebuilding operations generally reflect the seasonality of the housing market in the Middle Atlantic region of the United States. NVR historically has entered into more sales contracts in this region during the first and second quarters. Because NVR's mortgage banking operations generate part of

their business from NVR's homebuilding operations and from other homebuilders affected by seasonality, to the extent that homebuilding is affected by seasonality, mortgage banking operations may also be affected. The existence of mortgage banking and title services offices outside of the Middle Atlantic region and the existence of third-party business tend to reduce the effects of seasonality on the results of NVR's operations.

EFFECTIVE TAX RATE

The merger of NVR Homes, Inc and NVR Financial Services, Inc. into the Company on September 30, 1998 allowed the Company to utilize a separate return limitation year net operating loss ("SRLY NOL") generated by the Company's previously owned savings and loan institution, NVR Savings Bank. As a result, the Company realized a \$3,300 tax benefit during 1998. The use of the SRLY NOL, coupled with higher taxable income relative to fixed permanent differences, has reduced the Company's 1998 effective tax rate to 40.1% from 46.4% in 1997 and 47.1% in 1996.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires all derivatives to be recognized as either assets or liabilities on the balance sheet and be measured at fair value. Depending on the hedge designation, changes in such fair value will be recognized in either other comprehensive income or current earnings on the income statement. SFAS No. 133 is effective for fiscal years beginning after June 15, 1999, and is applicable to interim periods in the initial year of adoption. At the present time, the Company cannot determine the impact that SFAS No. 133 will have on its financial statements upon adoption on January 1, 2000, as such impact will be determined based on loans held in inventory and forward mortgage delivery contracts outstanding at the date of adoption.

YEAR 2000 ISSUE

The Year 2000 Issue is the risk that computer programs using two-digit date fields will fail to properly recognize the year 2000, with the result being business interruptions due to computer system failures by the Company's software or hardware or that of government entities, service providers and vendors.

With the assistance of a consulting firm, the Company has completed its assessment of exposure to Year 2000 Issues and has developed a detailed plan to remediate areas of exposure in both its homebuilding and mortgage banking segments, as discussed below.

The Company has substantially completed its remediation and testing efforts on its core homebuilding systems and believes that these systems are now Year 2000 compliant. The total Year 2000 Issue costs for the homebuilding systems were approximately \$400, all of which has been expensed during 1998.

The mortgage banking segment utilizes the following four core systems to operate its business: Loan Origination; Secondary Marketing; Servicing; and Settlement Services. During 1997 a decision was made to replace the existing Loan Origination system to obtain greater operating efficiencies. The existing system is not Year 2000 compliant. The Company has purchased a new commercially available software package for Loan Origination processing, which has been certified to be Year 2000 compliant by the vendor. The Company has tested the system and believes that it is Year 2000 compliant. The Company has developed a detailed rollout plan and will start implementation in February 1999 into its mortgage branches. The new system is expected to be deployed in each branch by the third quarter of 1999. The total cost of this project is estimated to be \$3,700, the majority of which will be incurred and capitalized during 1999. The Company has upgraded the existing Secondary Marketing system to the Year 2000 compliant version of the vendor's software, and based on testing conducted during 1998, the Company believes this system to be Year 2000 compliant. The Servicing and Settlement Services Systems are also purchased software packages, which the vendors have indicated are both Year 2000 compliant. The Company has completed testing on the Settlement Services System and believes that this system is Year 2000 compliant. The Servicing System testing should be completed by March 31, 1999. The total cost of updating and testing these systems is estimated to be \$100, the majority of which was expensed in the fourth quarter of 1998.

The Company initiated formal communications with its significant suppliers and service providers during 1998 to determine the extent to which the Company may be vulnerable to their failure to correct their own Year 2000 Issues and intends to continue those communications during 1999. To the extent that responses to Year 2000 readiness are unsatisfactory, the Company will attempt to identify alternative suppliers and service providers who have demonstrated Year 2000 readiness. As a normal course of business, the Company seeks to maintain multiple suppliers where possible. The Company cannot be assured that it will be successful in finding such alternative suppliers, service providers and contractors or, if it is successful in finding such alternative suppliers, service providers and contractors, that it will be able to do so at comparable prices. In the event that any of the Company's significant suppliers or service providers do not successfully and timely achieve Year 2000 compliance, and the Company is unable to replace them at comparable prices, the Company's business or operations could be adversely affected.

The Company is currently assessing its mechanical systems (e.g., phones, HVAC, etc.) which employ embedded chip technology. Based on initial information gathered, the Company does not estimate a significant expense will be incurred to make any non-compliant systems Year 2000 compliant.

The Company presently believes that upon remediation of its business software and hardware applications, the Year 2000 Issue will not present a material adverse risk to the Company's future consolidated results of operations, liquidity, and capital resources. However, if such remediation is not completed in a timely manner or the level of timely compliance by key suppliers or service providers is not sufficient, the Year 2000 Issue could have a material impact on the Company's operations including, but not limited to, delays in homebuilding and mortgage products resulting in loss of revenues, increased operating costs, loss of customers or suppliers, or other significant disruptions to the Company's business. In addition, widespread disruptions in the national or international economy, including, for example, disruptions affecting financial markets, commercial and investment banks, governmental agencies, utility services, such as heat, lights, power and telephones, and transportation systems could also have an adverse impact on the Company. The likelihood and effects of such disruptions are not determinable at this time.

The Company will evaluate the necessity for contingency planning during 1999 as it implements and tests its Loan Origination System and if communications with significant suppliers and service providers indicate that the Company may be vulnerable to their failure to correct their own Year 2000 Issues. This evaluation will continue throughout 1999.

LIQUIDITY AND CAPITAL RESOURCES

NVR's homebuilding segment generally provides for its working capital cash requirements using cash generated from operations and a short-term credit facility. In September 1998, the Company, as borrower, succeeded to the obligations of NVR Homes, Inc. under the unsecured working capital revolving credit facility as amended and restated (the "Facility"). The Facility expires on May 31, 2001. The Facility provides for borrowings of up to \$100,000 of which \$60,000 is currently committed. Under terms of the Facility, an additional \$10,000 uncommitted overline is available to the Company on a limited basis. Up to approximately \$24,000 of the Facility is currently available for issuance in the form of letters of credit of which \$11,719 was outstanding at December 31, 1998. There were no direct borrowings outstanding under the Facility as of December 31, 1998.

NVR's mortgage banking segment provides for its mortgage origination and other operating activities using cash generated from operations as well as various short-term credit facilities. NVR Finance has available a \$203,000 mortgage warehouse facility, of which \$178,000 is committed, to fund its mortgage origination activities, under which \$145,496 was outstanding at December 31, 1998. NVR Finance from time to time enters into various gestation and repurchase agreements. NVR Finance currently has available an aggregate of \$150,000 of borrowing capacity in such uncommitted facilities. There was an aggregate of \$19,868 outstanding under such gestation and repurchase agreements at December 31, 1998.

On January 20, 1998, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$400,000 of the Company's debt securities. The shelf registration statement was declared effective on February 27, 1998 and provides that securities may be offered from time to time in one or more series, and in the form of senior or subordinated debt.

On April 14, 1998, the Company completed an offering under the shelf registration statement for \$145,000 of senior notes due 2005 (the "New Notes"), resulting in aggregate net proceeds to the Company of approximately \$142,800 after fees and expenses. The New Notes mature on June 1, 2005 and bear interest at 8%, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1998. The New Notes are senior unsecured obligations of the Company, ranking equally in right of payment with the Company's other existing and future unsecured indebtedness. An additional \$30,000 in principal is available for issuance under the New Note offering. The net proceeds of the New Notes were used to extinguish other indebtedness of the Company, as described below.

Through a tender offer commenced on April 21, 1998 and completed on May 18, 1998, various open market purchases throughout 1998 and a contractual call exercised on December 1, 1998, the Company repurchased all of the \$120,000 in aggregate principal outstanding under the Company's 11% Senior Notes due 2003 ("Senior Notes"). The Senior Notes were retired upon purchase. The amount of funds expended to complete the Senior Note repurchase totaled \$129,345, excluding accrued interest, and resulted in the recognition of an extraordinary loss of \$7,126, net of a \$4,461 tax benefit, (\$0.54 per diluted share) in the accompanying consolidated income statements.

In addition, the Company exercised its option to purchase two office buildings currently utilized by NVR for certain administrative functions of both its homebuilding and mortgage banking segments, thereby extinguishing the Company's obligations under the capital lease pertaining to these buildings. The Company expended funds of \$12,295, excluding accrued interest, to extinguish the capital lease obligation and recognized an additional extraordinary loss of \$2,275, net of a \$1,424 tax benefit, (\$0.17 per diluted share) in the accompanying consolidated income statements. Subsequent to December 31, 1998, the Company sold both buildings to an unrelated third party and leased back one of the buildings under an operating lease for a five-year term expiring in 2004. There was no resultant material gain or loss on the sale transaction.

NVR Finance's mortgage warehouse facility limits the ability of NVR Finance to transfer funds to NVR in the form of dividends, loans or advances. NVR Finance had net assets of \$8,750 as of December 31, 1998, that were so restricted.

As shown in NVR's consolidated statement of cash flows for the year ended December 31, 1998, NVR's operating activities used cash of \$11,651 for this period. The cash was used primarily to increase homebuilding inventory due to a general increase in the Company's business activity. Further, cash was also used to fund an increase in mortgage loans held for sale which was related to an 83% increase in mortgage loan closings during 1998 compared to fiscal year 1997's loan closing volume.

Net cash provided by investing activities was \$39,584 for the year ended December 31, 1998. The primary sources of cash were principal payments on and proceeds from the sale of mortgage-backed securities, which are primarily used for the redemption of bonds as discussed below, and proceeds from the sale of mortgage servicing rights.

Net cash used for financing activities was \$5,154 for the year ended December 31, 1998. In addition to the debt refinancing activities discussed above, cash was primarily used for NVR's purchase of approximately 1.3 million shares of its common stock for an aggregate purchase price of \$50,199 during the year ended December 31, 1998. The Company may, from time to time, repurchase additional shares of its common stock, pursuant to repurchase authorizations by the Board of Directors and subject to the restrictions contained within the Company's debt agreements. NVR had net borrowings under the mortgage banking credit lines of \$56,971 used to finance mortgage loan inventory. Cash was also used for the redemption of collateralized bonds using cash provided by the related mortgage backed securities as discussed above.

The Company believes that internally generated cash and borrowings available under credit facilities will be sufficient to satisfy near and long term cash requirements for working capital and debt service in both its homebuilding and mortgage banking operations.

BUSINESS ACQUISITION

On March 4, 1999, NVR Mortgage Acquisition, Inc. ("NVRMA"), a wholly owned subsidiary of NVR Finance, purchased all of the outstanding capital stock of First Republic Mortgage Corporation ("First Republic") for approximately \$5,300 in cash. First Republic, based in Rockville, Maryland, is a leading mortgage lender in the Baltimore and Washington Metropolitan area. NVRMA accounted for this acquisition using the purchase method, and the operations of the acquired business will be included in NVR's consolidated statements of income in the first quarter of 1999 beginning on the date of the acquisition. Goodwill of approximately \$3,000 that was generated pursuant to the purchase transaction will be amortized using the straight-line method over 5 years.

Based on the expected loan origination volume of First Republic, NVR Finance has amended its warehouse line to increase the available borrowing limit under the warehouse agreement to \$203,000. In addition, First Republic has entered into a separate revolving short-term borrowing facility with a lender not party to the NVR Finance warehouse agreement comprised of a \$60,000 committed line of credit that bears interest at 1.75% to 2.00% above LIBOR.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. Though the Company faces and manages other types of risk, such as credit and liquidity risks, the Company's market risk arises from interest rate risk inherent in its financial instruments. Interest rate risk is the possibility that changes in interest rates will cause unfavorable changes in net income or in the value of interest rate-sensitive assets, liabilities and commitments. In addition, lower interest rates tend to increase demand for mortgage loans for home purchasers, as well as for the demand for refinancing of existing mortgages. Higher interest rates make it more difficult for potential borrowers to purchase residential properties and to qualify for mortgage loans and reduce demand for refinance loans. The Company has no market rate sensitive instruments held for trading purposes.

The Company's mortgage banking segment, which has contributed an average of 6.3% of consolidated income from continuing operations over the period 1994 to 1998, is exposed to interest rate risk as it relates to its lending activities. The mortgage banking segment originates mortgage loans, which are generally sold through optional and mandatory forward delivery contracts into the secondary markets. Substantially all of the mortgage banking segment's loan portfolio is held for sale.

Profitability of the mortgage banking segment may be directly affected by the levels of and fluctuations in interest rates, which affect the mortgage banking segment's ability to earn a spread between interest received on its mortgage loans held for sale and the costs of borrowings under the Company's variable-rate warehouse line of credit and uncommitted repurchase and gestation facilities. The profitability of the mortgage banking segment is likely to be adversely affected during any period of unexpected or rapid changes in interest rates. For example, a substantial or sustained increase in interest rates could adversely affect the ability of the Company to originate mortgage loans and would reduce the value of mortgage loans held for sale. A substantial decline in interest rates could also impair the value of any capitalized mortgage servicing rights. The Company's current risk management strategy involves selling substantially all originated mortgage servicing rights on a flow basis. The Company has \$3.7 million of capitalized mortgage servicing rights as of December 31, 1998, with a fair value at December 31, 1998 of \$3.9 million.

In an environment of stable interest rates, the Company's gains on the sale of mortgage loans would generally be limited to those gains resulting from the yield differential between mortgage loan interest rates

and rates required by secondary market purchasers. A loss from the sale of loans may occur if interest rates increase between the time that the Company establishes the interest rate on a loan and the time that the loan is sold. Fluctuating interest rates also may affect the net interest income earned by the Company, resulting from the difference between the yield to the Company on loans held for sale and the interest paid by the Company for funds borrowed to finance the origination of mortgage loans. Because of the uncertainty of future loan origination volume and the future level of interest rates, there can be no assurance that the Company will realize gains on the sale of financial assets in the future.

In the normal course of business, the Company also enters into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include commitments to extend mortgage loans to customers and forward contracts to sell mortgage-backed securities to broker/dealers. These instruments involve, to varying degrees, elements of market rate risk in excess of the amounts recognized in the balance sheet. NVR enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVR. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date to a broker/dealer. This market risk is managed by entering into forward contracts as discussed below.

There were mortgage loan commitments aggregating approximately \$235,812 outstanding at December 31, 1998, with a fair value at December 31, 1998 of \$236,272. Since certain of the commitments are expected to expire without a loan closing, the total contractual amounts do not necessarily represent future cash requirements. Collateral for loans granted is obtained by a first mortgage security interest in real estate whose appraised values exceed the contractual amount of the commitment.

The Company enters into optional and mandatory forward delivery contracts to sell mortgage-backed securities and whole loans at specific prices and dates to broker/dealers and secondary market investors. The Company has established policies governing which broker/dealers can be used to conduct these activities. Market risk with respect to forward contracts arises from changes in the value of contractual positions due to fluctuations in interest rates. The Company limits its exposure to market risk by monitoring differences between the total of commitments to customers and loans held for sale and forward contracts with investors and broker/dealers. In the event that the Company has forward delivery contract commitments in excess of available mortgage-backed securities, the Company completes the transaction by either paying or receiving a fee to/from the broker/dealer equal to the increase/decrease in the market value of the forward contract. NVR has no market risk associated with optional delivery contracts because NVR has the right but not the obligation to deliver mortgage backed securities and whole loans to investors and broker/dealers under these contracts. There were open forward delivery contracts to sell loans to third party investors aggregating approximately \$287,317 at December 31, 1998, with a fair value at December 31, 1998 of \$287,528.

The Company's homebuilding segment generates operating liquidity and acquisitions of capital assets through fixed-rate and variable-rate debt. The homebuilding segment's primary variable-rate debt is a Working Capital Credit facility that currently provides for unsecured borrowings up to \$100,000 (of which \$60,000 is committed), subject to certain borrowing base limitations. The working capital credit facility expires May 31, 2001 and outstanding amounts bear interest at the election of the Company, at (i) the base rate of interest announced by the Working Capital Credit facility agent or (ii) 1.5% above the Eurodollar Rate. The weighted average interest rates for the amounts outstanding under the Facility was 7.2% for the year ended 1998. There were no amounts outstanding under the Working Capital Credit facility at December 31, 1998.

The following table represents contractual balances of the Company's on balance sheet financial instruments in dollars at the expected maturity dates, as well as the fair values of those on balance sheet financial instruments, at December 31, 1998. The expected maturity categories takes into consideration historical and anticipated prepayment speeds, as well as actual amortization of principal and does not take into consideration the reinvestment of cash or the refinancing of existing indebtedness. Because the Company sells all of the mortgage loans it originates into the secondary markets, the Company has made the assumption that the portfolio of mortgage loans held for sale will mature in the first year. Consequently, outstanding warehouse borrowings and repurchase facilities are also assumed to mature in the first year.

Maturities (000's)

	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value
MORTGAGE BANKING SEGMENT								
INTEREST RATE SENSITIVE ASSETS:								
Mortgage loans held for sale	178,695	-	-	-	-	-	178,695	179,566
Average interest rate	6.9%	-	-	-	-	-	6.9%	
INTEREST RATE SENSITIVE LIABILITIES:								
Variable rate warehouse line of credit	145,496	-	-	-	-	-	145,496	145,496
Average interest rate (a)	5.2%	-	-	-	-	-	5.2%	
Variable rate repurchase agreements	19,868	-	-	-	-	-	19,868	19,868
Average interest rate	6.5%	-	-	-	-	-	6.5%	
Fixed rate capital lease obligations	94	93	99	106	93	-	485	485
Average interest rate	6.4%	6.4%	6.4%	6.4%	6.4%	-	6.4%	
HOMEBUILDING SEGMENT								
INTEREST RATE SENSITIVE ASSETS:								
Interest-bearing deposits	39,000	-	-	-	-	-	39,000	39,000
Average interest rate	4.9%	-	-	-	-	-	4.9%	
INTEREST RATE SENSITIVE LIABILITIES:								
Variable rate working capital line of credit	-	-	-	-	-	-	-	-
Average interest rate	-	-	-	-	-	-	-	
Variable rate notes payable	1,957	2,011	18	-	-	-	3,986	3,986
Average interest rate	7.0%	7.0%	7.0%	-	-	-	7.0%	
Fixed rate obligations (b)	235	271	333	313	331	149,019	150,502	151,010
Average interest rate	8.1%	8.1%	8.1%	8.1%	8.1%	8.5%	8.2%	

- (a) Average interest rate is net credits received for compensating cash balances.
- (b) The \$150,502 maturing after 2003 includes \$145,000 of the Company's 8% Senior Notes due June 2005.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item are included in the financial statements and schedules included herein under Item 14 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Item 10 is hereby incorporated by reference to NVR's Proxy Statement to be filed with the Securities and Exchange Commission on or prior to April 30, 1999. Reference is also made regarding the executive officers of the registrant to "Executive Officers of the Registrant" following Item 4 of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION.

Item 11 is hereby incorporated by reference to NVR's Proxy Statement to be filed with the Securities and Exchange Commission on or prior to April 30, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Item 12 is hereby incorporated by reference to NVR's Proxy Statement to be filed with the Securities and Exchange Commission on or prior to April 30, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Item 13 is hereby incorporated by reference to NVR's Proxy Statement to be filed with the Securities and Exchange Commission on or prior to April 30, 1999.

PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K.

FINANCIAL STATEMENTS

NVR, INC. - CONSOLIDATED FINANCIAL STATEMENTS
 Report of Independent Auditors
 Consolidated Balance Sheets
 Consolidated Statements of Income
 Consolidated Statements of Shareholders' Equity
 Consolidated Statements of Cash Flows
 Notes to Consolidated Financial Statements

DESCRIPTION OF EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Debtors' Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code (as modified to July 21, 1993). Incorporated by reference to Exhibit 2.1 in NVR, Inc.'s 1993 Registration Statement on Form S-1 (No. 33-63190) (the "1993 Registration Statement").
3.1	Restated Articles of Incorporation of NVR, Inc. Incorporated by reference to Exhibit 3.7 in NVR, Inc.'s 1993 Registration Statement.
3.2	Bylaws of NVR, Inc. Incorporated by reference to Exhibit 3.8 in NVR, Inc.'s 1993 Registration Statement.
**3.7	Certificate of Incorporation of RVN, Inc.
**3.8	Bylaws of RVN, Inc.
3.9	Charter of Fox Ridge Homes, Inc. Incorporated by reference to Exhibit 3.9 in NVR's Form S-3 filed with the Securities and Exchange Commission on January 20, 1998.
3.10	Bylaws of Fox Ridge Homes, Inc. Incorporated by reference to Exhibit 3.10 in NVR's Form S-3 filed with the Securities and Exchange Commission on January 20, 1998.
4.1	Form of Trust Indenture between NVR, Inc., as issuer and the Bank of New York as trustee. Incorporated by reference to Exhibit 4.3 in NVR, Inc.'s Current Report on Form 8-K filed April 23, 1998.
4.2	Form of Note (included in Indenture filed as Exhibit 4.1).
4.4	Form of Supplemental Trust Indenture between NVR, Inc., as issuer, NVR Homes, Inc., as guarantor, and The Bank of New York, as trustee. Incorporated by reference to Exhibit 4.3 in NVR, Inc.'s Current Report on Form 8-K filed April 23, 1998.
**10.1	Employment Agreement between NVR, Inc. and Dwight C. Schar dated January 1, 1996.
**10.3	Executive Employment Agreement between NVR, Inc. and Paul C. Saville dated January 1, 1995.
**10.5	Employment Agreement between NVR, Inc. and William J. Inman dated November 13, 1995.
**10.6	Second Amended and Restated Loan Agreement dated as of June 13, 1996

among NVR Mortgage Finance, Inc. and Bank One, Texas, N.A., as Agent, and the other lenders party thereto.

- 10.7 NVR, Inc. Equity Purchase Plan. Incorporated by reference to Exhibit 10.10 in NVR, Inc.'s 1993 Registration Statement.
- 10.8 NVR, Inc. Directors Long-Term Incentive Plan. Incorporated by reference to Exhibit 10.11 in NVR, Inc.'s 1993 Registration Statement.
- 10.9 NVR, Inc. Management Equity Incentive Plan. Incorporated by reference to Exhibit 10.2 in NVR, Inc.'s 1993 Registration Statement.
- 10.18 Agreement among Crestar Bank, NVR Savings Bank, FSB, and NVR Financial Services, Inc. dated November 8, 1993. Incorporated by reference to NVR's Current Report on Form 8-K dated March 17, 1994.
- **10.19 Employee Stock Ownership Plan of NVR, Inc.
- **10.22 NVR, Inc. 1994 Management Equity Incentive Plan.
- 10.26 NVR, Inc. Management Long-Term Stock Option Plan. Incorporated by reference to Exhibit 99.3 of NVR, Inc.'s Form S-8 Registration Statement filed May 31, 1996.
- 10.27 NVR, Inc. Directors' Long-Term Stock Option Plan. Incorporated by reference to Exhibit 99.3 of NVR, Inc.'s Form S-8 Registration Statement filed May 31, 1996.
- *10.29 Third Amended and Restated Credit Agreement dated as of September 30, 1998 among NVR, Inc. as borrower and Certain Banks and BankBoston, as Agent for itself and Certain Banks.
- **10.30 NVR, Inc. High Performance Compensation Plan dated as of January 1, 1996.
- **10.32 Whole Loan Purchase and Sale Agreement between NVR Mortgage Finance, Inc., as seller, and Prudential Securities Realty Funding Corporation, as Purchaser, dated as of August 11, 1997.
- **10.33 Mortgage Loan Purchase and Sale Agreement dated as of January 15, 1997 between Prudential Securities Realty Funding Corporation and NVR Mortgage Finance, Inc.
- *10.34 Mortgage Loan Purchase and Sale Agreement between Greenwich Capital Financial Products, Inc. and NVR Mortgage Finance, Inc., dated as of July 22, 1998
- *11 Computation of Earnings per Share
- *21 NVR, Inc. Subsidiaries.
- *23 Consent of KPMG LLP (independent auditors).
- *27 Financial Data Schedule

* Filed herewith.

** Contained in a previously filed Annual Report on Form 10-K.

REPORTS ON FORM 8-K (NONE)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NVR, Inc.

By: /s/ Dwight C. Schar

 Dwight C. Schar
 Chairman of the Board of Directors,
 President and Chief Executive
 Officer

Dated: March 15, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Dwight C. Schar ----- Dwight C. Schar	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 15, 1999
/s/ C. Scott Bartlett, Jr. ----- C. Scott Bartlett, Jr.	Director	March 15, 1999
/s/ Manuel H Johnson ----- Manuel H. Johnson	Director	March 15, 1999
/s/ William A. Moran ----- William A. Moran	Director	March 15, 1999
/s/ Richard H. Norair, Sr. ----- Richard H. Norair, Sr.	Director	March 15, 1999
/s/ David A. Preiser ----- David A. Preiser	Director	March 15, 1999
/s/ George E. Slye ----- George E. Slye	Director	March 15, 1999
/s/ John M. Toups ----- John M. Toups	Director	March 15, 1999
/s/ Paul C. Saville ----- Paul C. Saville	Senior Vice President, Chief Financial Officer and Treasurer	March 15, 1999

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
NVR, Inc.:

We have audited the accompanying consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NVR, Inc. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Pittsburgh, Pennsylvania
January 27, 1999

NVR, INC.
Consolidated Balance Sheets
(dollars in thousands, except share data)

	DECEMBER 31,	
	1998	1997
ASSETS		
HOMEBUILDING:		
Cash and cash equivalents	\$ 59,118	\$ 41,684
Receivables	1,515	3,398
Inventory:		
Lots and housing units, covered under sales agreements with customers	236,447	165,132
Unsold lots and housing units	45,478	51,434
Manufacturing materials and other	6,713	7,475
	-----	-----
	288,638	224,041
Property, plant and equipment, net	16,663	17,241
Reorganization value in excess of amounts allocable to identifiable assets, net	60,062	69,366
Goodwill, net	9,659	10,753
Contract land deposits	40,699	36,992
Other assets	41,301	22,424
	-----	-----
	517,655	425,899
	-----	-----
MORTGAGE BANKING:		
Cash and cash equivalents	9,386	4,041
Mortgage loans held for sale, net	178,695	115,744
Mortgage servicing rights, net	3,680	2,220
Property and equipment, net	934	637
Reorganization value in excess of amounts allocable to identifiable assets, net	10,611	11,700
Other assets	3,398	4,380
	-----	-----
	206,704	138,722
	-----	-----
TOTAL ASSETS	\$724,359	\$564,621
	=====	=====

(Continued)

See notes to consolidated financial statements.

NVR, INC.
Consolidated Balance Sheets (Continued)
(dollars in thousands, except share data)

	DECEMBER 31,	
	1998	1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
HOMEBUILDING:		
Accounts payable	\$ 88,272	\$ 67,987
Accrued expenses and other liabilities	103,683	75,096
Customer deposits	34,639	19,835
Notes payable	4,054	5,728
Other term debt	5,434	14,017
Senior notes	145,000	120,000
	-----	-----
	381,082	302,663
	-----	-----
MORTGAGE BANKING:		
Accounts payable and other liabilities	11,709	8,925
Notes payable	165,849	108,393
	-----	-----
	177,558	117,318
	-----	-----
Total liabilities	558,640	419,981
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 20,190,971 and 19,995,494 shares issued for 1998 and 1997, respectively	202	200
Additional paid-in-capital	174,173	164,731
Retained earnings	132,683	75,977
Less treasury stock at cost - 9,805,132 and 8,900,972 shares at December 31, 1998 and 1997, respectively	(141,339)	(96,268)
	-----	-----
Total shareholders' equity	165,719	144,640
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 724,359	\$564,621
	=====	=====

NVR, INC.
Consolidated Statements of Income
(dollars in thousands, except share data)

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
HOMEBUILDING:			
Revenues	\$ 1,504,744	\$1,154,022	\$1,045,930
Other income	1,874	1,232	1,312
Cost of sales	(1,273,815)	(995,855)	(906,255)
Selling, general and administrative	(113,329)	(87,231)	(71,184)
Amortization of reorganization value in excess of amounts allocable to identifiable assets/goodwill	(7,547)	(6,635)	(7,048)
	-----	-----	-----
Operating income	111,927	65,533	62,755
Interest expense	(17,528)	(16,410)	(16,611)
	-----	-----	-----
Homebuilding income	94,399	49,123	46,144
MORTGAGE BANKING:			
Mortgage banking fees	42,703	25,946	24,029
Interest income	9,861	6,415	5,351
Other income	634	674	47
General and administrative	(30,022)	(23,636)	(23,507)
Amortization of reorganization value in excess of amounts allocable to identifiable assets	(1,088)	(1,088)	(1,088)
Interest expense	(6,120)	(3,544)	(2,249)
	-----	-----	-----
Operating income	15,968	4,767	2,583
TOTAL SEGMENT INCOME	110,367	53,890	48,727
Income tax expense	(44,260)	(25,011)	(22,946)
	-----	-----	-----
Income before extraordinary loss	66,107	28,879	25,781
Extraordinary loss-extinguishment of debt (net of tax benefit of \$5,885 for the year ended December 31, 1998)	(9,401)	-	-
	-----	-----	-----
NET INCOME	\$ 56,706	\$ 28,879	\$ 25,781
	=====	=====	=====
BASIC EARNINGS PER SHARE:			
Income before extraordinary loss	\$ 5.94	\$ 2.44	\$ 1.76
Extraordinary loss	(0.84)	-	-
	-----	-----	-----
Basic earnings per share	\$ 5.10	\$ 2.44	\$ 1.76
	=====	=====	=====
DILUTED EARNINGS PER SHARE:			
Income before extraordinary loss	\$ 4.97	\$ 2.18	\$ 1.70
Extraordinary loss	(0.71)	-	-
	-----	-----	-----
Diluted earnings per share	\$ 4.26	\$ 2.18	\$ 1.70
	=====	=====	=====

See notes to consolidated financial statements.

NVR, INC.
Consolidated Statements of Shareholders' Equity
(dollars in thousands)

	COMMON STOCK -----	ADDITIONAL PAID-IN CAPITAL -----	RETAINED EARNINGS -----	TREASURY STOCK -----
BALANCE, DECEMBER 31, 1995	\$184	\$144,072	\$ 21,626	\$ (19,702)
Net income	-	-	25,781	-
Purchase of common stock for treasury	-	-	-	(35,137)
Performance share activity	-	529	-	1,710
Warrant activity	15	13,146	(309)	-
Option activity	-	95	-	-
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1996	199	157,842	47,098	(53,129)
Net income	-	-	28,879	-
Purchase of common stock for treasury	-	-	-	(45,545)
Performance share activity	-	5,580	-	2,406
Tax benefit from stock options exercised	-	464	-	-
Option activity	1	845	-	-
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1997	200	164,731	75,977	(96,268)
Net income	-	-	56,706	-
Purchase of common stock for treasury	-	-	-	(50,199)
Performance share activity	-	3,953	-	5,128
Tax benefit from stock options exercised	-	3,744	-	-
Option activity	2	1,745	-	-
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1998	\$202	\$174,173	\$132,683	\$(141,339)
	=====	=====	=====	=====

See notes to consolidated financial statements.

NVR, INC.
Consolidated Statements of Cash Flows
(dollars in thousands)

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 56,706	\$ 28,879	\$ 25,781
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Extraordinary loss - extinguishment of debt	15,286	-	-
Depreciation and amortization	13,408	13,338	15,417
Gain on sales of loans	(31,071)	(16,731)	(14,401)
Deferred tax provision	(10,927)	(629)	(322)
Interest accrued and added to bond principal	-	-	1,180
Mortgage loans closed	(2,717,456)	(1,485,763)	(1,243,945)
Proceeds from sales of mortgage loans	2,655,949	1,450,618	1,268,254
(Gain) loss on sales of mortgage servicing rights	(1,368)	(1,069)	1,194
Net change in assets and liabilities:			
Increase in inventories	(64,597)	(31,354)	(16,980)
Decrease in receivables	2,601	693	5,084
Increase (decrease) in accounts payable and accrued expenses	68,815	20,556	(611)
Other, net	1,003	6,437	(1,869)
	-----	-----	-----
Net cash provided (used) by operating activities	(11,651)	(15,025)	38,782
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of mortgage-backed securities	9,569	15,126	45,835
Business acquisition, net of cash acquired	-	(12,533)	-
Purchase of property, plant and equipment	(3,964)	(3,053)	(4,267)
Principal payments on mortgage-backed securities	5,076	4,190	15,511
Proceeds from sales of mortgage servicing rights	27,637	14,199	23,518
Other, net	1,266	1,236	4,265
	-----	-----	-----
Net cash provided by investing activities	39,584	19,165	84,862
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Redemption of mortgage-backed bonds	(13,341)	(18,019)	(62,306)
Extinguishment of 11% senior notes	(129,344)	-	-
Deferred financing fees	(2,311)	-	-
Issuance of 8% Senior Notes	145,000	-	-
Purchases of treasury stock	(50,199)	(45,545)	(35,137)
Net borrowings (repayments) under notes payable and credit lines	43,294	29,523	(19,935)
Other, net	1,747	846	12,947
	-----	-----	-----
Net cash used by financing activities	(5,154)	(33,195)	(104,431)
	-----	-----	-----
Net increase (decrease) in cash	22,779	(29,055)	19,213
Cash, beginning of year	45,725	74,780	55,567
	-----	-----	-----
Cash, end of year	\$ 68,504	\$ 45,725	\$ 74,780
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid during the year	\$ 24,670	\$ 21,255	\$ 22,160
	=====	=====	=====
Income taxes paid during the year, net of refunds	\$ 43,097	\$ 23,018	\$ 26,492
	=====	=====	=====

See notes to consolidated financial statements.

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of NVR, Inc. ("NVR" or "The Company"), its wholly-owned subsidiaries and certain partially-owned entities. All significant intercompany transactions have been eliminated in consolidation.

MERGER

Effective September 30, 1998, NVR merged each of NVR Homes, Inc., NVR's wholly owned homebuilding subsidiary, and NVR Financial Services, Inc., NVR's wholly owned mortgage banking holding company, into the Company. The Company now conducts its homebuilding activities both directly and through its wholly owned subsidiary, Fox Ridge Homes, Inc. ("Fox Ridge"). The Company conducts its mortgage banking operations primarily through another wholly owned subsidiary, NVR Mortgage Finance, Inc. ("NVR Finance").

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes short-term investments with original maturities of three months or less.

HOMEBUILDING INVENTORY

Inventory is stated at the lower of cost or market value. Cost of lots and completed and uncompleted housing units represent the accumulated actual cost thereof. Field construction supervisors' salaries and related direct overhead expenses are included in inventory costs. Interest costs are not capitalized into inventory. Upon settlement, the cost of the units is expensed on a specific identification basis. Cost of manufacturing materials is determined on a first-in, first-out basis.

REORGANIZATION VALUE IN EXCESS OF AMOUNTS ALLOCABLE TO IDENTIFIABLE ASSETS

Reorganization value in excess of amounts allocable to identifiable assets is being amortized on a straight-line basis over 15 years. Accumulated amortization as of December 31, 1998 and 1997 was \$42,030 and \$34,489, respectively. Determination of any impairment losses related to this intangible asset is based on consideration of projected undiscounted cash flows.

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

GOODWILL

The excess of amounts paid for business acquisitions over the net fair value of the assets acquired and the liabilities assumed is amortized using the straight line method over ten years. Accumulated amortization was \$1,276 and \$182 at December 31, 1998 and 1997, respectively. Determination of any impairment losses related to this intangible asset is based on consideration of projected undiscounted cash flows.

MORTGAGE LOANS HELD FOR SALE

Mortgage loans held for sale, forward trade commitments and origination commitments are valued at the lower of cost or market on a net aggregate basis.

MORTGAGE-BACKED SECURITIES AND MORTGAGE-BACKED BONDS

Prior to 1996, the Company's ownership interests in mortgage-backed securities and the related mortgage-backed bonds were presented on a gross basis on the consolidated balance sheets and income statements. Accordingly, the book values of the mortgage-backed securities and mortgage-backed bonds were presented separately as assets and liabilities, respectively, on the consolidated balance sheets, and interest income on mortgage-backed securities and interest expense of the mortgage-backed bonds were presented separately as income and expense, respectively, on the consolidated income statements. All of such interests are at, or are nearing, the end of their economic useful lives, and as such, NVR does not anticipate that such assets will generate significant amounts of income or cash flow in the future. The Company's consolidated balance sheets for all periods presented reflect its ownership interests in mortgage-backed securities net of the related mortgage-backed bonds as a component of other assets of the mortgage banking segment, and the consolidated statements of income for all periods presented reflect earnings from such interests net of the related interest expense as a component of other income of the mortgage banking segment.

EARNINGS PER SHARE

The following weighted average shares and share equivalents are used to calculate basic and diluted EPS for the years ended December 31, 1998, 1997 and 1996:

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
Weighted average number of shares outstanding used to calculate Basic EPS	11,131,114	11,838,743	14,620,593
Dilutive securities:			
Warrants	-	-	211,502
Stock Options	2,168,950	1,405,934	304,914
	-----	-----	-----
Weighted average number of shares and share equivalents outstanding used to calculate Diluted EPS	13,300,064	13,244,677	15,137,009
	=====	=====	=====

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

REVENUES-HOMEBUILDING OPERATIONS

NVR builds light-frame, low-rise residences which generally are produced on a pre-sold basis for the ultimate customer. Revenues are recognized at the time units are completed and title passes to the customer. Additionally, to a significantly lesser degree, NVR sells house packages to builder-dealers and other homebuilders and recognizes revenue at the time the product is delivered to the builder-dealer or homebuilder.

MORTGAGE BANKING FEES

Mortgage banking fees include income earned by NVR's mortgage banking subsidiaries for originating and processing mortgage loans, servicing mortgage loans held in the servicing portfolio, title fees, gains and losses on the sale of mortgage loans and mortgage servicing and other activities incidental to mortgage banking. Loan origination fees and direct loan origination costs are deferred and the net deferred fees, or costs, are recognized either upon the sale of the loan or as an adjustment of the yield over the life of the loan.

MORTGAGE SERVICING RIGHTS

Mortgage servicing rights are recorded by allocating the total cost of acquiring mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values.

NVR measures the impairment of the mortgage servicing rights based on their current fair value. Current fair value is determined through the discounted present value of estimated future net servicing cashflows using a risk-based discount rate and assumptions based upon market estimates for future servicing revenues and expenses (including prepayment expectations, servicing costs, default rates, and interest earnings on escrows). For the purposes of evaluating and measuring impairment of the mortgage servicing rights, they are stratified using the predominant risk characteristic of the underlying mortgage loans. NVR has determined that the predominant risk characteristic of the underlying mortgage loans is interest rate. Impairment, and subsequent changes in measurement of impairment, of any individual stratum is recognized through a valuation allowance for that stratum. The mortgage servicing rights are amortized to general and administrative expense in proportion to, and over the period of, the estimated net servicing income.

DEPRECIATION

Depreciation is based on the estimated useful lives of the assets using the straight-line method. Amortization of capital lease assets is included in depreciation expense.

INCOME TAXES

NVR files a consolidated federal income tax return. Deferred income taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by enacted tax rules and regulations.

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

FINANCIAL INSTRUMENTS

Except as otherwise noted in note 4 to the financial statements, NVR believes that insignificant differences exist between the carrying value and the fair value of its financial instruments.

ADOPTION OF NEW ACCOUNTING PRINCIPLES

During the quarter ended March 31, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. For the years ended December 31, 1998, 1997 and 1996, comprehensive income equaled net income; therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

The Company also implemented SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information during 1998. SFAS No. 131 establishes standards for the way that public enterprises report information about operating segments in annual and interim financial statements. Because SFAS No. 131 has a disclosure-only effect on the notes to the Company's financial statements, adoption of SFAS No. 131 has no impact on the Company's results of operations or financial condition. (See note 2 for the required disclosure).

STOCK-BASED COMPENSATION

As permitted under SFAS No. 123, NVR has elected to continue to follow the guidance of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, in accounting for its stock-based employee compensation arrangements. The pro forma financial information required by SFAS No. 123 is included in note 9.

2. SEGMENT INFORMATION, NATURE OF OPERATIONS, AND CERTAIN CONCENTRATIONS

NVR operates in two business segments: homebuilding and mortgage banking. The homebuilding segment is one of the largest homebuilders in the United States and in the Washington, D.C. and Baltimore, Maryland metropolitan areas, where NVR derived approximately 63% of its 1998 homebuilding revenues. NVR's homebuilding segment primarily constructs and sells single-family detached homes, townhomes and condominium buildings under three tradenames: Ryan Homes, NVHomes and Fox Ridge Homes. The Ryan Homes product, which is built in sixteen metropolitan areas located in Maryland, Virginia, Pennsylvania, New York, North Carolina, South Carolina, Ohio, New Jersey, Delaware and Tennessee, is moderately priced and marketed primarily towards first-time buyers. The NVHomes product is built largely in the Washington, D.C. metropolitan area, and is marketed primarily to move-up buyers. The Fox Ridge Homes product, built solely in the Nashville, Tennessee metropolitan area, is also moderately priced and marketed primarily to first-time buyers.

The mortgage banking segment, which operates under NVR Finance, currently includes a national mortgage banking operation and a limited-purpose financing subsidiary (the "Limited-Purpose Financing

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

Subsidiary") which was formed to facilitate the financing of long-term mortgage loans through the sale of non-recourse bonds collateralized by mortgage-backed securities. NVR's mortgage banking business generates revenues primarily from origination fees, gains on marketing of loans, title fees, and sales of servicing rights. A substantial portion of the Company's mortgage operations is conducted in the Washington, D.C and Baltimore, MD metropolitan areas. Although NVR's mortgage banking operations provide financing to a substantial portion of NVR's homebuilding customers, NVR's homebuilding customers accounted for only 31% of the aggregate dollar amount of loans closed in 1998.

Corporate general and administrative expenses are fully allocated to the homebuilding and mortgage banking segments in the information presented below.

FOR THE YEAR ENDED DECEMBER 31, 1998

	HOMEBUILDING	MORTGAGE BANKING	TOTALS
Revenues	\$1,504,744	\$ 42,703	\$1,547,447 (a)
Interest income	1,256	9,861	11,117 (a)
Interest expense	17,528	6,120	23,648 (a)
Depreciation and amortization	4,166	607	4,773 (b)
Segment profit	101,946	17,056	119,002 (b)
Segment assets	447,934	196,093	644,027 (b)
Expenditures for segment assets	3,007	957	3,964 (a)

(a) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

(b) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	HOMEBUILDING	MORTGAGE BANKING	TOTALS
Segment depreciation and amortization	\$ 4,166	\$ 607	\$ 4,773
Add: amortization of excess reorganization value and goodwill	7,547	1,088	8,635
Consolidated depreciation and amortization	\$ 11,713	\$ 1,695	\$ 13,408
Segment profit	\$ 101,946	\$ 17,056	\$ 119,002
Less: amortization of excess reorganization value and goodwill	(7,547)	(1,088)	(8,635)
Consolidated income before income taxes and extraordinary loss	\$ 94,399	\$ 15,968	\$ 110,367
Segment assets	\$ 447,934	\$196,093	\$ 644,027
Add: Excess reorganization value and goodwill	69,721	10,611	80,332
Total consolidated assets	\$ 517,655	\$206,704	\$ 724,359

FOR THE YEAR ENDED DECEMBER 31, 1997

	HOMEBUILDING	MORTGAGE BANKING	TOTALS
Revenues	\$1,154,022	25,946	1,179,968 (c)
Interest income	252	6,415	6,667 (c)
Interest expense	16,410	3,544	19,954 (c)
Depreciation and amortization	4,384	1,231	5,615 (d)
Segment profit	55,758	5,855	61,613 (d)
Segment assets	345,780	127,022	472,802 (d)
Expenditures for segment assets	2,708	345	3,053 (c)

Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

(d) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	HOMEBUILDING -----	MORTGAGE BANKING -----	TOTALS -----
Segment depreciation and amortization	\$ 4,384	\$ 1,231	\$ 5,615
Add: amortization of excess reorganization value and goodwill	6,635	1,088	7,723
	-----	-----	-----
Consolidated depreciation and amortization	\$ 11,019	\$ 2,319	\$ 13,338
	=====	=====	=====
Segment profit	\$ 55,758	\$ 5,855	\$ 61,613
Less: amortization of excess reorganization value and goodwill	(6,635)	(1,088)	(7,723)
	-----	-----	-----
Consolidated income before income taxes and extraordinary loss	\$ 49,123	\$ 4,767	\$ 53,890
	=====	=====	=====
Segment assets	\$ 345,780	\$ 127,022	\$ 472,802
Add: Excess reorganization value and goodwill	80,119	11,700	91,819
	-----	-----	-----
Total consolidated assets	\$ 425,899	\$ 138,722	\$ 564,621
	=====	=====	=====

FOR THE YEAR ENDED DECEMBER 31, 1996

	HOMEBUILDING -----	MORTGAGE BANKING -----	TOTALS -----
Revenues	\$1,045,930	\$ 24,029	\$ 1,069,959 (e)
Interest income	783	5,351	6,134 (e)
Interest expense	16,611	2,249	18,860 (e)
Depreciation and amortization	3,851	3,430	7,281 (f)
Segment profit	53,192	3,671	56,863 (f)
Segment assets	321,460	91,099	412,559 (f)
Expenditures for segment assets	4,019	248	4,267 (e)

(e) Total amounts for the reportable segments equal the respective amounts for the consolidated enterprise.

(f) The following reconciles segment profit and segment assets to the respective amounts for the consolidated enterprise:

	HOMEBUILDING -----	MORTGAGE BANKING -----	TOTALS -----
Segment depreciation and amortization	\$ 3,851	\$ 3,430	\$ 7,281
Add: amortization of excess reorganization value and goodwill	7,048	1,088	8,136
	-----	-----	-----
Consolidated depreciation and amortization	\$ 10,899	\$ 4,518	\$ 15,417
	=====	=====	=====
Segment profit	\$ 53,192	\$ 3,671	\$ 56,863
Less: amortization of excess reorganization value and goodwill	(7,048)	(1,088)	(8,136)
	-----	-----	-----
Consolidated income before income taxes and extraordinary loss	\$ 46,144	\$ 2,583	\$ 48,727
	=====	=====	=====
Segment assets	\$ 321,460	\$ 91,099	\$412,559
Add: Excess reorganization value and goodwill	75,818	12,788	88,606
	-----	-----	-----
Total consolidated assets	\$ 397,278	\$103,887	\$501,165
	=====	=====	=====

NVR, INC.
NOTES TO CONSOLIDATED STATEMENTS
(dollars in thousands, except per share data)

3. RELATED PARTY TRANSACTIONS

During 1998, 1997, and 1996, NVR purchased, at market prices, developed lots from a company that is controlled by a member of the board of directors. Those purchases totaled approximately \$13,000, \$8,100 and \$6,600 during 1998, 1997 and 1996, respectively. NVR expects to purchase the majority of the remaining lots under contract as of December 31, 1998 over the next 18 to 24 months for an aggregate purchase price of approximately \$38,091.

During the years ended December 31, 1998, 1997 and 1996, one of the executive officers of NVR was a partner in a law firm which billed NVR approximately \$441, \$375 and \$344, respectively, in fees and expenses for legal services.

During 1996, NVR repurchased, at market prices, 2,370,839 shares of its common stock for an aggregate purchase price of \$25,401 from certain investors who at the time of the purchases were beneficial owners of greater than five percent (5%) of the Company's common stock. In addition, during 1996, the Company also repurchased, at market prices, 304,735 warrants to purchase the Company's common stock at an aggregate purchase price of \$166 from certain of the aforementioned investors.

4. LOAN SERVICING PORTFOLIO, MORTGAGE LOAN COMMITMENTS AND OFF-BALANCE SHEET RISK

At December 31, 1998 and 1997, NVR was servicing approximately 3,170 and 2,947 mortgage loans for various investors with aggregate balances of approximately \$261,000 and \$224,000, respectively.

At December 31, 1998, NVR had capitalized mortgage servicing rights of \$3,680 which related to approximately \$258 million of the aggregate \$261 million in loans serviced. The mortgage servicing rights associated with the remaining \$3 million in loans serviced are not subject to capitalization because the loans were originated and sold prior to NVR's adoption of SFAS No. 122 on January 1, 1995. At December 31, 1997, NVR had capitalized purchased mortgage servicing rights of \$2,220.

NVR assesses the fair value of the capitalized mortgage servicing rights by stratifying the underlying loans by interest rate. The fair value of the mortgage servicing rights is then determined through the present value of estimated future net servicing cashflows using a risk based discount rate, and assumptions based upon market estimates for future servicing revenues and expenses (including prepayment expectations, servicing costs, default rates, and interest earnings on escrows). The fair value of the capitalized mortgage servicing rights was \$3,878 and \$2,471 at December 31, 1998 and 1997, respectively. The fair value of the mortgage servicing rights not subject to capitalization was \$300 and \$490 at December 31, 1998 and 1997, respectively. Based on management's estimate of the fair value of the designated strata, the Company established a \$65 valuation reserve at December 31, 1998.

NVR amortizes the capitalized mortgage servicing rights in proportion to, and over the period of, the estimated net servicing income. The amortization for the periods ending December 31, 1998, 1997 and 1996 was \$484, \$506 and \$1,627, respectively.

In the normal course of business, NVR enters into contractual commitments involving financial instruments with off-balance sheet risk. These financial instruments include commitments to extend mortgage loans to customers and forward contracts to sell mortgage-backed securities to broker/dealers. These instruments involve, to varying degrees, elements of credit and market rate risk in excess of the amounts recognized in the balance sheet.

NVR's exposure to credit loss, in the event of non-performance by the customers, is represented by the contractual amount of the commitment for the mortgage loans. NVR Finance uses the same credit policies in making commitments as it does for on-balance sheet mortgage loans.

NVR, INC.
NOTES TO CONSOLIDATED STATEMENTS
(dollars in thousands, except per share data)

There were mortgage loan commitments aggregating approximately \$235,812 and \$129,949 outstanding at December 31, 1998 and 1997, respectively. The fair values of mortgage loan commitments were approximately \$236,272 and \$130,291 at December 31, 1998 and 1997, respectively. There were open forward delivery contracts aggregating approximately \$287,317 and \$195,719 at December 31, 1998 and 1997, respectively. The fair values of open forward delivery contracts were approximately \$287,528 and \$198,099 at December 31, 1998 and 1997, respectively.

NVR enters into contractual commitments to extend credit to buyers of single-family homes with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within time frames established by NVR. All mortgagors are evaluated for credit worthiness prior to the extension of the commitment. Market risk arises if interest rates move adversely between the time of the "lock-in" of rates by the borrower and the sale date to a broker/dealer. This market risk is managed by entering into forward contracts as discussed below.

Since certain of the commitments are expected to expire without a loan closing, the total contractual amounts do not necessarily represent future cash requirements. Collateral for loans granted is obtained by a first mortgage security interest in real estate whose appraised values exceed the contractual amount of the commitment.

NVR enters into optional and mandatory forward delivery contracts to sell mortgage-backed securities at specific prices and dates to broker/dealers. NVR has established policies governing which broker/dealers can be used to conduct these activities. Credit risk associated with forward contracts is limited to the replacement cost of those forward contracts in a gain position, and at December 31, 1998 and 1997 there were no such positions. There were no counterparty default losses on forward contracts in 1998, 1997 or 1996. Market risk with respect to forward contracts arises from changes in the value of contractual positions due to fluctuations in interest rates. NVR limits its exposure to market risk by monitoring differences between the total of commitments to customers and loans held for sale and forward contracts with broker/dealers. In the event NVR has forward delivery contract commitments in excess of available mortgage-backed securities, NVR completes the transaction by either paying or receiving a fee to/from the broker/dealer equal to the increase/decrease in the market value of the forward contract. NVR has no market risk associated with optional delivery contracts because NVR has the right but not the obligation to deliver mortgage backed securities to broker/dealers under these contracts.

5. PROPERTY, PLANT AND EQUIPMENT, NET

	DECEMBER 31,	
	1998	1997
HOMEBUILDING:		
Office facilities and other	\$ 17,996	\$ 7,926
Model home furniture and fixtures	6,377	5,947
Manufacturing facilities	8,170	7,199
Property under capital leases	4,234	14,177
	-----	-----
	36,777	35,249
Less accumulated depreciation and amortization	(20,114)	(18,008)
	-----	-----
	\$ 16,663	\$ 17,241
	=====	=====
MORTGAGE BANKING:		
Office facilities and other	\$ 3,854	\$ 3,965
Less accumulated depreciation and amortization	(2,920)	(3,328)
	-----	-----
	\$ 934	\$ 637
	=====	=====

Included in Homebuilding property, plant and equipment are amounts for land totaling \$1,732 at December 31, 1998 and 1997.

Certain property, plant and equipment listed above are collateral for various debt of NVR and certain of its subsidiaries as more fully described in note 6.

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6. DEBT

	DECEMBER 31,	
	1998	1997
	-----	-----
HOMEBUILDING:		
Notes payable:		
Working capital revolving credit (a)	\$ -	\$ -
Other (b)	4,054	5,728
	-----	-----
	\$ 4,054	\$ 5,728
	=====	=====
Other term debt:		
Capital lease and financing obligations due in monthly installments through 2014 (c)	\$ 5,434	\$ 14,017
	=====	=====
Senior notes (d)	\$ 145,000	\$ 120,000
	=====	=====
MORTGAGE BANKING:		
Mortgage warehouse revolving credit (e)	\$ 145,496	\$ 77,765
Mortgage repurchase facility (f)	19,868	30,628
Capital lease and financing obligations due in monthly installments through 2004 (c)	485	-
	-----	-----
	\$165,849	\$ 108,393
	=====	=====

(a) In September 1998, the Company, as borrower, succeeded to the obligations of NVR Homes, Inc. under the unsecured working capital revolving credit facility as amended and restated (the "Facility"). This Facility currently provides for unsecured borrowings up to \$100,000 (of which \$60,000 is committed), subject to certain borrowing base limitations, and is generally available to fund working capital needs of NVR's homebuilding segment. Up to approximately \$24,000 of the Facility is currently available for issuance in the form of letters of credit of which \$11,719 and \$6,059 were issued at December 31, 1998 and 1997, respectively. The Facility expires May 31, 2001 and outstanding amounts bear interest at the election of the Company, at (i) the base rate of interest announced by the Facility agent or (ii) 1.5% above the Eurodollar Rate. The weighted average interest rates for the amounts outstanding under the Facility were 7.2% and 8.1% for 1998 and 1997, respectively.

The Facility contains numerous operating and financial covenants, including required levels of net worth, fixed charge coverage ratios, and several other covenants related to the construction operations of NVR. In addition, the Facility contains restrictions on the ability of NVR to, among other things, incur debt and make investments. Also, the Facility prohibits NVR from paying dividends to shareholders.

(b) Other notes payable as of December 31, 1998 is principally comprised of a \$3,086 note payable issued in connection with the acquisition of Fox Ridge in 1997. The weighted average interest rate was 7.5% during 1998 and 1997.

(c) The capital lease and financing obligations have either fixed or variable interest rates ranging from 3.0% to 13.0% and are collateralized by land, buildings and equipment with a net book value of \$4,719 and \$11,602 at December 31, 1998 and 1997, respectively.

During December 1998, the Company exercised its option to purchase two office buildings previously utilized by NVR for certain administrative functions of both its homebuilding and mortgage banking segments, thereby extinguishing the Company's obligations under the capital lease pertaining to these buildings. The Company expended funds of \$12,295, excluding accrued interest, to extinguish the capital lease obligation, which resulted in an extraordinary loss of \$2,275, net of a \$1,424 tax benefit, (\$0.17 per diluted share), in the

NVR, INC.
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accompanying consolidated income statements. Subsequent to December 31, 1998, the Company sold both buildings to an unrelated third party and leased back one of the buildings for a five-year term expiring in 2004. There was no resultant material gain or loss on the sale transaction.

The following schedule provides future minimum lease payments under all financing and capital leases together with the present value as of December 31, 1998:

YEARS ENDING DECEMBER 31:	
1999	\$ 978
2000	968
2001	968
2002	968
2003	959
Thereafter	7,349

	12,190
Amount representing interest	6,271

	\$ 5,919
	=====

(d) On January 20, 1998, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to \$400,000 of the Company's debt securities. The shelf registration statement was declared effective on February 27, 1998 and provides that securities may be offered from time to time in one or more series, and in the form of senior or subordinated debt.

On April 14, 1998, the Company completed an offering under the shelf registration statement for \$145,000 of senior notes due 2005 (the "New Senior Notes"), resulting in aggregate net proceeds to the Company of approximately \$142,800 after fees and expenses. The New Senior Notes mature on June 1, 2005 and bear interest at 8%, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 1998. The New Senior Notes are senior unsecured obligations of the Company, ranking equally in right of payment with the Company's other existing and future unsecured indebtedness. The New Senior Notes are redeemable at the option of the Company, in whole or in part, at any time on or after June 1, 2003 at redemption prices ranging from 104% of par in 2003 to par beginning in 2005. An additional \$30,000 in principal is available for issuance under the New Senior Note offering.

The indenture governing the New Senior Notes has, among other items, limitations on asset sales by NVR and requires that NVR, on a consolidated basis, maintain a net worth of at least \$80,000. In addition, the indenture limits dividends, certain investments and NVR's ability to incur additional debt if NVR is in default under the indenture or if NVR does not meet certain fixed charge coverage ratios.

Through a tender offer commenced on April 21, 1998 and completed May 18, 1998, various open market purchases throughout 1998 and a contractual call exercised on December 1, 1998, the Company repurchased all of the \$120,000 in aggregate principal outstanding under the Company's 11% Senior Notes due 2003 ("Senior Notes"). The Senior Notes were retired upon purchase. The amount of funds expended to complete the Senior Note Repurchase totaled \$129,345, excluding accrued interest, and resulted in the recognition of an extraordinary loss of \$7,126, net of a \$4,461 tax benefit, (\$0.54 per diluted share), in the accompanying consolidated income statements.

(e) The mortgage warehouse facility ("Mortgage Warehouse Revolving Credit") of NVR Finance has a borrowing limit at December 31, 1998 of \$175,000 of which \$150,000 is committed. The interest rate under the Mortgage Warehouse Revolving Credit agreement is either: (i) the London Interbank Offering Rate ("Libor") plus either 1.35% or 1.5% depending on the type of collateral, or (ii) 1.375% or 1.5% to the extent that NVR Finance provides compensating balances and depending on the type of collateral. The weighted average interest rates for amounts outstanding under the Mortgage Warehouse Revolving Credit line were 5.2% and 5.4% during 1998 and 1997, respectively. Primarily mortgage loans and gestation mortgage-backed

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securities collateralize the Mortgage Warehouse Revolving Credit agreement. The Mortgage Warehouse Revolving Credit Agreement is an annually renewable facility and currently expires in July 1999.

The Mortgage Warehouse Revolving Credit agreement includes, among other items, restrictions on NVR Finance incurring additional borrowings and making intercompany dividends and tax payments. In addition, NVR Finance is required to maintain a minimum net worth.

(f) NVR Finance from time to time enters into various gestation and repurchase agreements. NVR Finance currently has available an aggregate of \$150,000 of borrowing capacity in such uncommitted facilities. Amounts outstanding thereunder accrue interest at various rates tied to the federal funds rate and are collateralized by gestation mortgage-backed securities and whole loans. The uncommitted facilities generally require NVR Finance to, among other items, maintain a minimum net worth and limit its level of liabilities in relation to its net worth. The weighted average interest rates for amounts outstanding under these uncommitted facilities were 6.5% and 6.8% during 1998 and 1997, respectively.

* * * * *

Maturities with respect to the other notes payable, other term debt, and the New Senior Notes as of December 31, 1998 are as follows:

YEARS ENDING DECEMBER 31:	

1999	\$ 2,286
2000	2,375
2001	450
2002	419
2003	424
Thereafter	149,019

The \$149,019 maturing after 2003 includes \$145,000 in New Senior Notes which mature in June 2005.

NVR Finance's mortgage warehouse facility limits the ability of NVR Finance to transfer funds to NVR in the form of dividends, loans or advances. NVR Finance had net assets of \$8,750 as of December 31, 1998 that were so restricted.

At December 31, 1998, the homebuilding and mortgage banking segments had restricted cash of \$317 and \$8,877, respectively, which includes certain customer deposits, mortgagor tax, insurance, completion escrows and other amounts collected at closing which relates to mortgage loans held for sale and to home sales.

7. COMMON STOCK

There were 10,385,839 and 11,094,522 common shares outstanding at December 31, 1998 and 1997, respectively. As of December 31, 1998, NVR had reacquired a total of 10,516,578 shares of NVR common shares at an aggregate cost of \$150,581 since December 31, 1993. Approximately 711,000 common shares have been reissued from the treasury in satisfaction of employee benefit liabilities. The average cost basis for the aggregate number of shares reissued from the treasury was \$12.99 per share. In addition, approximately 225,000 stock options were exercised during 1998 with NVR realizing \$1,747 in equity proceeds.

On September 30, 1993, NVR issued warrants to purchase 2,162,828 shares of common stock at an exercise price of \$8.80 per share with an expiration date of September 30, 1996. During 1996, 1,495,515 warrants were exercised for a like number of common shares, with NVR realizing \$13,161 in aggregate equity proceeds. In addition, during 1996 NVR repurchased 561,135 warrants, at market prices, for an aggregate

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purchase price of \$309. NVR retired the repurchased warrants with a charge to retained earnings equal to the purchase price. A total of 106,178 warrants expired unexercised.

8. INCOME TAXES

The provision for income taxes consists of the following:

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
CURRENT:			
Federal	\$ 47,632	\$22,539	\$19,070
State	7,555	3,101	4,198
DEFERRED:			
Federal	(10,031)	(1,030)	(539)
State	(896)	401	217
	-----	-----	-----
	\$ 44,260	\$25,011	\$22,946
	=====	=====	=====

In addition to amounts applicable to income before taxes, the following income tax benefits were recorded in shareholders' equity:

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
Income tax benefits arising from compensation expense for tax purposes in excess of amounts recognized for financial statement purposes	\$ 3,744	\$ 464	\$ -
	=====	=====	=====

Deferred income taxes on NVR's consolidated balance sheets are comprised of the following:

	DECEMBER 31,	
	1998	1997
	-----	-----
Total deferred tax assets	\$ 33,365	\$ 23,561
Less: valuation allowance	-	2,852
	-----	-----
	33,365	20,709
Less: deferred tax liabilities	8,035	9,158
	-----	-----
	\$ 25,330	\$ 11,551
	=====	=====

Deferred tax assets arise principally as a result of various accruals required for financial reporting purposes which are not currently deductible for tax return purposes. Deferred tax liabilities arise principally as a result of depreciation and accounting for certain sales on the installment method for tax return purposes.

Management believes the Company will have sufficient available carry-backs and future taxable income to make it more likely than not that the net deferred tax asset will be realized. Taxable income was \$110,313 and \$62,417 for the years ended December 31, 1998 and 1997.

Tax benefits realized in subsequent periods related to unrecognized deferred tax assets as of September 30, 1993 will be recorded as a reduction of reorganization value in excess of amounts allocable to identifiable assets. For the years ended December 31, 1998, 1997 and 1996, \$2,852, \$0 and \$7,000, respectively, of such benefits were realized. Unrecognized deferred tax assets which arose as of September 30, 1993 amounted to \$0 and \$2,852 as of December 31, 1998 and 1997, respectively.

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A reconciliation of income tax expense in the accompanying statements of income to the amount computed by applying the statutory Federal income tax rate to income before income taxes, discontinued operations and extraordinary gains is as follows:

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
Income taxes computed at the Federal statutory rate	\$ 38,628	\$ 18,862	\$ 17,054
State income taxes, net of Federal income tax benefit	4,328	2,276	2,870
Non-deductible amortization	2,639	2,639	2,848
Non-deductible expense	1,856	1,093	-
Utilization of net operating loss carry forward	(3,300)	-	-
Other, net	109	141	174
	\$ 44,260	\$ 25,011	\$ 22,946

The merger of NVR Homes, Inc. and NVR Financial Services, Inc. into the Company on September 30, 1998 allowed the Company to utilize a separate return limitation year net operating loss ("SRLY NOL") generated by the Company's previously owned savings and loan institution, NVR Savings Bank. As a result, the Company recognized a \$3,300 tax benefit during 1998. The SRLY NOL expires in 2002.

9. PROFIT SHARING AND INCENTIVE PLANS

Profit Sharing Plans--NVR has a trustee-administered, profit sharing retirement plan (the "Profit Sharing Plan") and an Employee Stock Ownership Plan ("ESOP") covering substantially all employees. The Profit Sharing Plan and the ESOP provide for annual contributions in amounts as determined by the NVR Board of Directors (the "Board"). The combined plan expense for the years ended December 31, 1998, 1997 and 1996 was \$6,436, \$3,081 and \$4,627, respectively. During 1998 and 1997, the ESOP purchased in the open market 111,902 and 110,569 shares respectively of NVR common stock using cash contributions provided by NVR. As of December 31, 1998, all shares held by the ESOP have been allocated to participant accounts.

Management Incentive Plans--Management long-term incentive plans provide several types of equity incentives to NVR's executives and managers. The equity incentives take the form of stock options and performance share awards as described below. Stock options issued under the management long-term incentive plans are issued with an exercise price equal to the market value of the underlying shares on the date of grant.

Under the Management Incentive Plan adopted by the Board in 1993, participants received options to purchase a total of 1,117,949 NVR shares (the "1993 NVR Share Options"). The 1993 NVR Share Options issued under the Management Incentive Plan were fully vested as of December 31, 1996, and generally expire 10 years after the dates upon which they were granted.

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	1998		1997		1996	
MANAGEMENT INCENTIVE PLAN	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices
Options outstanding at the beginning of the year	953,952	\$ 7.60	1,076,424	\$ 7.60	1,085,450	\$ 7.59
Granted	-	-	-	-	6,503	8.21
Canceled	-	-	(5,000)	7.62	(800)	7.62
Exercised	(127,981)	7.62	(117,472)	7.64	(14,729)	7.16
Outstanding at end of year	825,971	\$ 7.60	953,952	\$ 7.60	1,076,424	\$ 7.60
Exercisable at end of year	825,971	\$ 7.60	953,952	\$ 7.60	1,076,424	\$ 7.60

Exercise prices for Management Incentive Plan options outstanding at December 31, 1998 range from \$5.06 to \$9.11 per share, and their weighted average remaining contractual life equals 4.75 years. Approximately 95% of the options exercisable at December 31, 1998 had an exercise price of \$7.62 per share.

Under the 1994 Management Incentive Plan (the "1994 Incentive Plan"), executive officers and other key employees of the Company are eligible to receive stock options (the "1994 NVR Share Options") and performance shares (the "1994 Performance Shares"). There are 48,195 1994 NVR Share Options and 1,124,929 1994 Performance Shares authorized for grant under the 1994 Incentive Plan. The 1994 NVR Share Options generally expire 10 years after the dates upon which they were granted, and vest in one-third increments on each of December 31, 1997, 1998 and 1999, with vesting based upon continued employment.

	1998		1997		1996	
1994 INCENTIVE PLAN	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices
Options outstanding at the beginning of the year	35,000	\$14.00	-	\$ -	-	\$ -
Granted	13,195	32.20	35,000	14.00	-	-
Canceled	-	-	-	-	-	-
Exercised	(4,832)	14.00	-	-	-	-
Outstanding at end of year	43,363	\$19.54	35,000	\$14.00	-	\$ -
Exercisable at end of year	22,898	\$17.50	11,667	\$14.00	-	\$ -

Exercise prices for 1994 Incentive Plan options outstanding at December 31, 1998 range from \$14.00 to \$34.50 per share, and their weighted average remaining contractual life equals 8.6 years. Approximately 70% of the options outstanding at December 31, 1998 had an exercise price of \$14.00 per share.

A total of 1,095,200 1994 Performance Shares have been granted to employees as of December 31, 1998 and two-thirds of the 1994 Performance Shares have vested. An additional one-third of the total 1994 Performance Shares authorized may vest on December 31, 1999 if certain earnings targets are met or exceeded. All 1994 Performance Shares that do not vest are forfeited back to NVR on December 31, 2000. For the years ended December 31, 1998, 1997 and 1996, compensation expense recognized for the 1994 Performance Shares totaled \$9,081, \$7,986 and \$2,239, respectively.

During 1996, the Company's Shareholders approved the Board of Directors' adoption of the Management Long-Term Stock Option Plan (the "Management Long Term Stock Option Plan"). There are 2,000,000 non-qualified stock options ("Options") authorized under the Management Long Term Stock Option Plan. The Options generally expire 10 years after the dates upon which they were granted, and vest in one-third increments on each of December 31, 2000, 2001 and 2002, with vesting based upon continued employment.

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	1998		1997		1996	
	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices	Options	Weighted Average Exercise Prices
Options outstanding at the beginning of the year	1,770,000	\$11.30	1,554,000	\$10.58	-	\$ -
Granted	13,405	25.00	216,000	16.51	1,554,000	10.58
Canceled	(30,000)	10.63	-	-	-	-
Exercised	-	-	-	-	-	-
Outstanding at end of year	1,753,405	\$11.42	1,770,000	\$11.30	1,554,000	\$10.58
Exercisable at end of year	-	\$ -	-	\$ -	-	\$ -

Exercise prices for Management Long-Term Incentive Plan options outstanding at December 31, 1998 range from \$9.13 to \$25.00 per share, and their weighted average remaining contractual life equals 8.5 years. Approximately 87% of the options outstanding at December 31, 1998 had an exercise price of \$10.63 per share.

The weighted average fair values of grants made in 1998, 1997 and 1996 for management incentive plans were \$18.65, \$10.13 and \$6.14, respectively. The fair values of the options granted were estimated on the grant date using the Black-Scholes option pricing model based on the following weighted average assumptions:

	1998	1997	1996
Estimated option life	10 years	10 years	10 years
Risk free interest rate	5.52%	6.79%	7.10%
Expected volatility	45.14%	35.16%	28.9%
Expected dividend yield	0.0%	0.0%	0.0%

Directors' Incentive Plans -- The NVR Directors' Long Term Incentive Plan provides for each eligible director to be granted options ("Directors' Options") to purchase 22,750 shares of common stock with a maximum number of shares issuable under the plan of 364,000. There were 182,000 Directors' Options granted to eligible directors on September 30, 1993, leaving 182,000 options available for future grants as of December 31, 1998. The option exercise price for all options granted on September 30, 1993 was \$16.60 per share, which exceeded the fair value of the underlying shares on the date of grant. The options became exercisable six months after the date of grant and expire in September 2003. There were 68,250 Directors' Options exercised during 1998, leaving 113,750 Directors' Options outstanding and exercisable at December 31, 1998. Pursuant to the Plan, each outside director also received a one-time cash payment of \$200 during 1997 for the achievement of certain goals under a five-year measurement period beginning September 30, 1993.

In addition, there were 192,000 NVR share options authorized and granted in 1996 to the Company's outside directors under the Directors' Long Term Stock Option Plan (the "Directors' Long Term Plan"). There are no additional options available for grant under this plan. The option exercise price for the options granted was \$10.25 per share, which was equal to the fair market value of the Company's Shares on the date of grant. The Options were granted for a 10 year period beginning from the date of grant, and vest in one-third increments on each of December 31, 1999, 2000, and 2001. The weighted average grant-date fair value of the options granted during 1996 was \$5.98 per share. The fair value was calculated using the Black-Scholes option pricing model, under the following assumptions: i) the estimated option life was equal to ten years, ii) the risk free interest rate was 7.1% (based on the U.S. Treasury Strip quote on the date of grant, iii) the expected volatility equaled 28.9%, and iv) the estimated dividend yield was 0%. There were 24,000 Directors'

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Long Term Plan Options exercised during 1998, pursuant to a separation of service due to death clause within the Directors' Long Term Plan, leaving 168,000 options outstanding but unexercisable at December 31, 1998.

SFAS No. 123 requires companies who continue to apply Opinion 25 to account for their stock-based employee compensation arrangements to provide pro forma net income and earnings per share as if the fair value based method had been used to account for compensation cost. Accordingly, unaudited pro forma net income and earnings per share would have been \$55,352 (\$4.16 per diluted share), \$27,637 (\$2.09 per diluted share), and \$24,849 (\$1.64 per diluted share) for the years ended December 31, 1998, 1997 and 1996, respectively, if the Company had accounted for its stock based employee compensation arrangements using the fair value method. The 1998, 1997 and 1996 effects of applying SFAS No. 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income and earnings per share for future years because the number of option grants and the fair value assigned to future grants could differ.

10. COMMITMENTS AND CONTINGENT LIABILITIES

NVR is committed under several non-cancelable operating leases involving office space, manufacturing facilities and equipment. Future minimum lease payments under these operating leases as of December 31, 1998 are as follows:

YEARS ENDED DECEMBER 31,	

1999	\$ 4,533
2000	2,990
2001	2,031
2002	1,537
2003	1,110
Thereafter	3,065

	\$15,266
	=====

Total rent expense incurred under operating leases was approximately \$4,060, \$3,425 and \$3,180 for the years ended December 31, 1998, 1997 and 1996, respectively.

During the ordinary course of operating the mortgage banking and homebuilding businesses, NVR is required to enter into bond or letter of credit arrangements with local municipalities, government agencies, or land developers to collateralize its obligations under various contracts. NVR had approximately \$18,259 of contingent obligations under such agreements as of December 31, 1998. NVR believes it will fulfill its obligations under the related contracts and does not anticipate any losses under these bonds or letters of credit.

NVR and its subsidiaries are also involved in litigation arising from the normal course of business. In the opinion of management, and based on advice of legal counsel, this litigation will not have any material adverse effect on the financial position or results of operations of NVR.

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11. MORTGAGE-BACKED SECURITIES, NET OF MORTGAGE-BACKED BONDS, AND RELATED ASSETS AND LIABILITIES

Mortgage-backed securities ("MBS") serve as collateral for the related mortgage-backed bonds ("Bonds") sold to third parties. The MBS cannot be sold except upon specified call dates of the Bonds. The calling of the Bonds at those dates is solely at the option of the Company. Principal and interest payments on the MBS are used to make the quarterly payments on the Bonds. In addition, prepayments of the underlying MBS are passed through as repayments of the Bonds so that the Bonds may be fully paid prior to their stated maturities. The Bonds are not guaranteed by NVR or any of its subsidiaries, other than the issuing Limited-Purpose Financing Subsidiary.

The MBS and the reserve amounts, which constitute the collateral for the Bonds of a series, are held by a trustee for the benefit of the bondholders. The specific collateral pledged to secure a particular series is not available as collateral for any other series. In addition, the Company may, under certain circumstances, redeem certain series of Bonds. In such certain circumstances, the Bonds are redeemed at par and any market appreciation or depreciation accrues to the Company.

During 1998, NVR sold, at a premium, MBS totaling \$9,080, the proceeds of which were used to redeem in full the related outstanding Bonds which totaled \$8,855. The sales of the MBS resulted in a pre-tax gain of \$608, which was substantially offset by a pre-tax loss on the related Bonds of \$315.

During 1997, NVR sold, at a premium, MBS totaling \$15,126, the proceeds of which were used to redeem in full the related outstanding Bonds which totaled \$14,074. The sales of the MBS resulted in a pre-tax gain of \$590, which was partially offset by a pre-tax loss on the related Bonds of \$552.

During 1996, NVR sold, at a premium, MBS totaling \$45,835, the proceeds of which were used to redeem in full the related outstanding Bonds which totaled \$44,518. The sales of the MBS resulted in a pre-tax gain of \$2,077, which was partially offset by a pre-tax loss on the related Bonds of \$1,586.

The following comprise the assets and liabilities of the Limited Purpose Financing Subsidiary:

	DECEMBER 31,	
	1998	1997
	-----	-----
ASSETS:		
Mortgage-backed securities, net	\$7,438	\$20,010
Funds held by trustee	74	245
Other assets	584	1,030
	-----	-----
TOTAL ASSETS	8,096	21,285
	-----	-----
LIABILITIES:		
Accrued expenses and other liabilities	405	681
Mortgage-backed bonds	7,902	21,243
Unamortized discounts	(221)	(648)
	-----	-----
TOTAL LIABILITIES	8,086	21,276
	-----	-----
Mortgage-backed securities, net of mortgage-backed bonds, and related assets and liabilities	\$ 10	\$ 9
	=====	=====

The weighted average portfolio yield on the MBS was 9.0% and 9.1% at December 31, 1998 and

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1997, respectively. The Bonds mature on October 1, 2016 and bear interest at 9.0%. However, NVR has the contractual right to call the Bonds in 2001.

12. ACQUISITION

NVR Fox Ridge, Inc., a wholly owned subsidiary of NVR, was formed during 1997 to purchase substantially all of the assets and assume certain liabilities of Fox Ridge Homes, Inc. ("FRH"), a leading homebuilder in Nashville, Tennessee. NVR Fox Ridge, Inc. was renamed Fox Ridge Homes, Inc. ("Fox Ridge") in November 1997. To consummate the purchase on October 31, 1997, Fox Ridge assumed approximately \$15,160 of FRH's liabilities, paid FRH \$14,250 in cash at settlement on October 31, 1997, and issued a note payable for the remaining \$4,750 purchase price. The note bears interest at 200 basis points above the federal funds target rate, and will be paid in three annual installments, including accrued interest. The first annual installment was paid on October 31, 1998; the remaining annual installments will be paid on each of October 31, 1999 and 2000.

Fox Ridge accounted for this acquisition using the purchase method, and the operations of the acquired business have been included in NVR's consolidated statements of income since its acquisition. Goodwill that was generated pursuant to the purchase transaction is being amortized using the straight-line method over 10 years.

The following unaudited pro forma summary of combined operations was prepared to illustrate the estimated effects of the 1997 acquisition of FRH as if such acquisition had occurred on the first day of the respective periods presented.

	YEAR ENDED DECEMBER 31,	
	----- 1997	1996 -----
Homebuilding revenues	\$1,192,684	\$1,100,821
Net income	29,343	28,209
Diluted earnings per share	2.22	1.86

13. QUARTERLY RESULTS [UNAUDITED]

The following table sets forth unaudited selected financial data and operating information on a quarterly basis for the years ended December 31, 1998 and 1997.

	YEAR ENDED DECEMBER 31, 1998			
	----- 1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER -----
Revenues-homebuilding operations	\$291,547	\$385,738	\$441,034	\$386,425
Gross profit - homebuilding operations	\$ 43,591	\$ 59,892	\$ 68,084	\$ 59,362
Mortgage banking fees	\$ 7,687	\$ 10,684	\$ 11,724	\$ 12,608
Income before discontinued operations and extraordinary gain	\$ 10,860	\$ 15,495	\$ 24,759	\$ 14,993
Diluted earnings per share before discontinued operations and extraordinary gain	\$ 0.81	\$ 1.15	\$ 1.87	\$ 1.16
Contracts for sale, net of cancellations (units)	2,262	2,533	1,821	2,384
Settlements (units)	1,543	1,995	2,169	1,915
Backlog, end of period (units)	3,914	4,452	4,104	4,573
Loans closed	\$578,334	\$658,789	\$697,567	\$782,766

NVR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)

	YEAR ENDED DECEMBER 31, 1997			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Revenues-homebuilding operations	\$238,987	\$281,437	\$316,874	\$316,724
Gross profit - homebuilding operations	\$ 31,518	\$ 38,628	\$ 44,566	\$ 43,455
Mortgage banking fees	\$ 5,122	\$ 6,698	\$ 6,407	\$ 7,719
Income before discontinued operations and extraordinary gain	\$ 5,763	\$ 9,043	\$ 9,006	\$ 5,067
Diluted earnings per share before discontinued operations and extraordinary gain	\$ 0.42	\$ 0.71	\$ 0.68	\$ 0.39
Contracts for sale, net of cancellations (units)	1,445	2,041	1,366	1,834
Settlements (units)	1,315	1,494	1,639	1,659
Backlog, end of period (units)(1)	2,596	3,143	2,870	3,195
Loans closed	\$297,698	\$349,253	\$396,117	\$442,695

(1) NVR acquired Fox Ridge Homes, Inc. on October 31, 1997. The acquisition of Fox Ridge increased the Company's backlog by 150 units on the date of the acquisition.

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

September 30, 1998

Among

NVR, INC., as Borrower

and

CERTAIN BANKS

and

BANKBOSTON, N.A., as Agent

for itself and certain Banks

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

This THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") is made as of September 30, 1998, by and among (i) NVR, INC. ("Borrower"), a corporation organized and existing under the laws of Virginia having its principal place of business at 7601 Lewinsville Road, McLean, Virginia 22102, (ii) BANKBOSTON, N.A. ("BKB"), having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110, (iii) certain other lending institutions which are signatories hereto (BKB and such lending institutions are individually each a "Bank" and, collectively the "Banks") and (iv) BANKBOSTON, N.A., as agent (in its capacity as agent, the "Agent") for itself and the Banks.

W I T N E S S E T H:

WHEREAS, Borrower, NVR Homes, Inc. ("NVR Homes"), certain lending institutions and BKB, as Agent, entered into that certain Credit and Security Agreement dated as of September 30, 1993, as amended by that certain First Amendment dated as of April 28, 1994, that certain Second Amendment dated as of September 13, 1994, and that certain Third Amendment dated as of November 1, 1994 (collectively, the "Original Credit Agreement"); and

WHEREAS, Borrower, NVR Homes, certain lending institutions and BKB, as Agent, entered into that certain Amended and Restated Credit and Security Agreement dated as of May 5, 1995; as amended and modified by that certain First Modification of Amended and Restated Credit and Security Agreement, dated as of January 16, 1996; by that certain Second Modification of Amended and Restated Credit and Security Agreement, dated as of May 16, 1996; by that certain Third Modification of Amended and Restated Credit and Security Agreement, dated as of December 31, 1996; by that certain Fourth Modification of Amended and Restated Credit and Security Agreement, dated as of June 19, 1997; by that certain Fifth Modification of Amended and Restated Credit and Security Agreement, dated as of October 30, 1997; by that certain Sixth Modification of Amended and Restated Credit and Security Agreement, dated as of January 29, 1998; and by that certain Seventh Modification of Amended and Restated Credit and Security Agreement, dated as of April 3, 1998 (the Amended and Restated Credit and Security Agreement, as so amended, is hereinafter referred to as the "Credit Agreement"); and

WHEREAS, Borrower, NVR Homes, certain lending institutions and BKB, as Agent, entered into that certain Second Amended and Restated Credit Agreement dated as of June 19, 1998 (the "Second Amended and Restated Agreement"); and

WHEREAS, Borrower acknowledges and agrees that (a) the Obligations (as defined herein) represent, among other things, the amendment, restatement and modifications of the Obligations (as defined in the Credit Agreement) arising in connection with the Original Credit Agreement, the Credit Agreement, the Second Amended and Restated Agreement and the other Loan Documents (as defined in the Credit Agreement) executed in connection therewith, and (b) the Loan Documents (as defined herein) are intended to restructure, restate, renew, extend, consolidate, expand, amend and modify the original Credit Agreement, the Credit Agreement, the Second Amended and Restated Agreement and the other Loan Documents (as defined in the original Credit Agreement) executed in connection therewith; and

WHEREAS, the parties hereto intend that the provisions of the Original Credit Agreement, the Credit Agreement, the Second Amended and Restated Agreement and the other Loan Documents (as defined in the Credit Agreement) executed in connection therewith, to the extent restructured, restated, renewed, expanded, extended, consolidated, amended and modified by this agreement are hereby superseded and replaced by the provisions hereof and of the Loan Documents (as defined herein), but irrespective of such changes, this Agreement and the Loan Documents (as defined herein) shall in all respects be considered and treated as (i) "Senior Bank Indebtedness" for all purposes as that term is defined in the Original Indenture (as defined herein) for the 1993 Senior Notes (as defined herein) and (ii) a "Bank Credit Facility" for all purposes as that term is defined in the New Indenture (as defined herein); and

WHEREAS, Borrower has requested that the Banks (a) continue to finance the working capital requirements of Borrower and (b) provide funds to Borrower for other corporate purposes; and

WHEREAS, the Banks are willing to make funds available for such purposes upon the terms and subject to the conditions set forth herein; and

WHEREAS, Borrower has requested that the Agent commit to provide Borrower with letters of credit for general corporate purposes and the Agent is willing to issue credit upon the terms and subject to the conditions contained herein;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement is hereby amended and restated to read in its entirety as follows:

ss.1 DEFINITIONS. The following terms shall have the meanings set forth in this ss.1 or elsewhere in the provisions of this Agreement referred to below:

1993 Senior Notes. The 11% Senior Notes due April 15, 2003 in an aggregate principal amount not to exceed \$160,000,000 issued by Borrower pursuant to the Original Indenture.

1998 Senior Notes. The 8% Senior Notes due June 1, 2005 in an aggregate principal amount not to exceed \$175,000,000 issued by Borrower pursuant to the New Indenture.

Advance or Advances. Those amounts of the Loans advanced by the Banks to Borrower pursuant to ss.2 hereof on the occasion of any borrowing.

Affiliate. With respect to any Person, any other Person (i) which directly or indirectly controls, or is controlled by, or is under common control with, such Person, (ii) which beneficially owns or holds 20% or more of any class of the voting stock of such Person, or (iii) 20% or more of the voting stock (or in the case of a Person which is not a corporation, 20% or more of the equity interest) of which is beneficially owned or held, directly or indirectly, by such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agent. BankBoston, N.A. and any successor thereto.

Agent's Fee. See ss.4.3.

Aggregate Lot Option Deposits. With respect to any Person as of any date of determination, the aggregate amount of lot option deposits shown on the books and records of such Person as of such date, as determined in accordance with GAAP.

Agreement. This Third Amended and Restated Credit Agreement, including the schedules and Exhibits hereto, as originally executed, or if this Agreement is amended, restated, varied or supplemented from time to time, as so amended, restated, varied or supplemented.

Assignment and Acceptance. See ss.17.1.

Authorized Signatory. Such senior personnel of Borrower as may be duly authorized and designated in writing by Borrower to execute documents, agreements and instruments on behalf of Borrower.

Balance Sheet Date. See ss.6.7(a).

Banks. See preamble.

Base Rate. The higher of (a) the annual rate of interest announced from time to time by BKB at its head office in Boston, Massachusetts as its "base rate" and (b) one-half of one percent (1/2%) above the overnight federal funds effective rate, as published by the Board of Governors of the Federal Reserve System, as in effect from time to time, but in no event higher than the maximum rate permitted by applicable law.

Base Rate Advance. An Advance which Borrower requests to be made as a Base Rate Advance or which is reborrowed as a Base Rate Advance, in accordance with the provisions of ss.2.1.5(b) hereof.

BKB. See preamble.

Borrower. See preamble.

Borrowing Base. At any time of determination, an amount equal to the sum of the following assets of Borrower

(excluding Fox Ridge and NVRMF): (i) the book value of Sold Units multiplied by ninety-five percent (95%); plus (ii) the book value of Unsold Units multiplied by eighty percent (80%); plus (iii) the book value of Manufacturing Materials multiplied by eighty percent (80%); in each case, as calculated in accordance with GAAP.

Borrowing Base Report. A report with respect to the Borrowing Base in the form attached hereto as Exhibit A.

Business Day. Any day on which banking institutions in Boston, Massachusetts or, with respect to Eurodollar calculations, foreign exchange markets in New York, New York are not permitted or required by law to remain closed, as relevant to the determination to be made or the action to be taken.

Capitalized Lease. Any lease under which the obligations of the lessee therein would, in accordance with GAAP, be included in determining total liabilities of the lessee as shown on the liability side of its balance sheet.

Cash Equivalent. Any of the Investments listed in ss.9.21(b), (c), (d), (e), (g), (h) or (q), but, in the case of (q), only to the extent of borrowing availability at any date of determination under the Warehouse Line.

Closing Date. The effective date of this Agreement as first above written.

Code. The Internal Revenue Code of 1986, as amended and in effect from time to time. To the extent that reference is made to any particular Section of the Code, such reference shall be, where the context so admits, to any corresponding provisions of any succeeding law.

Commitment. With respect to each Bank, the amount set forth on Schedule 1 hereto as the amount of such Bank's commitment to make Loans to Borrower subject to the terms and conditions of this Agreement as such Schedule may be amended pursuant to this Agreement.

Commitment Fee. See ss.4.1.

Commitment Percentage. With respect to each Bank, the percentage set forth in Schedule 1 hereto as such Bank's percentage of the Revolving Credit Commitment.

Compliance Certificate. See ss.9.10(d).

Consolidated or Consolidating. With reference to any term used or defined herein, shall mean that term as applied to the accounts of Borrower and its Subsidiaries, consolidated in accordance with GAAP.

Consolidated Gross Profit Margin. With respect to any period, the gross profit margin reported by Borrower and its Subsidiaries in accordance with GAAP.

Consolidated Tangible Net Worth. The Tangible Net Worth of Borrower and its Subsidiaries as defined herein.

Contract of Sale. A written contract for the sale of a Unit on arm's-length terms which has been signed by both parties thereto and has been approved by the division manager of Borrower and which has a firm closing date, subject only to final financing and good title, has been obtained in good faith and which Borrower believes will not be canceled for any reason.

Customer Deposit. Any "hand money," "earnest money" or similar deposit made by any Person to Borrower in connection with the purchase of a Unit.

Daily Eurodollar Advance. An Advance which Borrower requests to be made as a Daily Eurodollar Advance or which is reborrowed as a Daily Eurodollar Advance in accordance with the provisions of ss.2.1.5(b).

Daily Eurodollar Rate. The Eurodollar Rate assuming a Eurodollar Advance Period of thirty (30) days provided that the time of determination shall be on a daily basis at or approximately 9:00 a.m. local Boston, Massachusetts time.

Debt Service Payments. For any period, all Interest Charges and regularly scheduled principal payments on any Indebtedness of Borrower and its subsidiaries (other than NVRMF and its Subsidiaries), net of balloon payments as determined in accordance with GAAP.

Default. Any event which, but for the giving of notice or the lapse of time, or both, would constitute an Event of Default.

Delinquent Bank. See ss.12.5(c)

Distribution. Any of the following: (a) the payment by any Person of any distributions or other payments to its shareholders or partners as such; (b) the declaration or payment of any dividend on or in respect of shares of any class of capital stock of, or partnership interest in, any Person; (c) the purchase or other retirement of any shares of any class of capital stock of, or partnership interest in, any Person, directly or indirectly through a Subsidiary or otherwise; (d) the return of capital by any Person to its shareholders or partners as such; or (e) any other distribution on or in respect of any shares of any class of capital stock of, or partnership interest in, any Person.

Drawdown Date. The date on which any Loan is made available to Borrower pursuant to the provisions hereof.

EBITDA. For any period, without duplication, (i) the sum of the amounts for such period of (a) Net Income, (b) Interest Charges, (c) charges against income for all federal, state and local taxes, (d) depreciation expense, (e) amortization expense, (f) other non-cash charges and expenses and (g) any losses arising outside of the ordinary course of business which have been included in the determination of Net Income, less (ii) any gains arising outside of the ordinary course of business which have been included in the determination of Net Income, all as determined on a Consolidated basis for Borrower and its Subsidiaries other than NVRMF and its Subsidiaries in accordance with GAAP.

Eligible Assignee. Any of (a) a commercial bank organized under the laws of the United States, or any State thereof or the District of Columbia, and having total assets in excess of \$1,000,000,000; (b) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof or the District of Columbia, and having a net worth of at least \$100,000,000, calculated in accordance with generally accepted accounting principles; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having total assets in excess of \$1,000,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD; (d) the central bank of any country which is a member of the OECD; and (e) other commercial

lending institutions reasonably acceptable to the Agent and Borrower.

ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

Eurodollar Advance. An Advance which Borrower requests to be made as a Eurodollar Advance of which is reborrowed as a Eurodollar Advance, in accordance with the provisions of ss.2.1.5(c) hereof.

Eurodollar Advance Period. For each Eurodollar Advance, each one, two, or three month period, as selected by Borrower pursuant to ss.2.1.5 (c) hereof, during which the applicable Eurodollar Rate shall remain unchanged. Notwithstanding the foregoing, however: (i) any applicable Eurodollar Advance Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Eurodollar Advance Period shall end on the preceding Business Day; (ii) any applicable Eurodollar Advance Period which begins on a day for which there is no numerically corresponding day in the calendar month during which such Eurodollar Advance Period is to end shall (subject to clause (i) above) end on the last day of such calendar month; and (iii) no Eurodollar Advance Period shall extend beyond the Maturity Date or such earlier date as would interfere with the repayment obligations of Borrower under ss.2.1.1 hereof. Interest shall be due and payable with respect to any Eurodollar Advance as provided in ss.2.1.6 (b) hereof.

Eurodollar Basis. A simple per annum interest rate equal to the quotient of (i) the Eurodollar Rate divided by (ii) one minus the Eurodollar Reserve Percentage, if any, stated as a decimal. The Eurodollar Basis shall be rounded upward to the nearest one sixteenth of one percent (1/16%) and, once determined, shall remain unchanged during the applicable Eurodollar Advance Period, except for changes to reflect adjustments in the Eurodollar Reserve Percentage.

Eurodollar Rate. For any Eurodollar Advance Period, the average (rounded upward to the nearest one sixteenth of one percent (1/16%)) of the interest rates per annum at which deposits in United States dollars for such Eurodollar Advance Period are offered to prime banks in the New York interbank eurodollar market on telerate screen page 4756 two

(2) Business Days before the first day of such Eurodollar Advance Period, in an amount approximately equal to the principal amount of, and for a length of time approximately equal to the Eurodollar Advance Period for, the Eurodollar Advance sought by Borrower. If telerate screen page 4756 is no longer available, such rate as reported by any internationally recognized reporting service shall be selected by the Agent or, if no such other service is available, such rate shall be determined by the Agent based on rate information furnished to it by two or more banks selected by it which participate in the market for such deposits.

Eurodollar Reserve Percentage. The percentage which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System, as such regulation may be amended from time to time, as the maximum reserve requirement applicable with respect to Eurocurrency Liabilities (as that term is defined in Regulation DL), whether or not any Bank has any Eurocurrency Liabilities subject to such reserve requirement at that time. The Eurodollar Basis for any Eurodollar Advance shall be adjusted as of the effective date by the same effective basis point change of any change in the Eurodollar Reserve Percentage.

Event of Default. See ss.10.

Excess Reorganization Value. The reorganization value in excess of amounts allocable to identifiable assets (as defined by GAAP) and as shown on the consolidated balance sheet of Borrower.

Finished Lots. Platted lots which have water and sewer service available at the lot line, which have access to a public street, and for which all permits necessary for development have been issued.

Fox Ridge. Fox Ridge Homes, Inc., a Tennessee corporation, and its successors and assigns.

GAAP. Generally Accepted Accounting Principles (as defined below).

Generally Accepted Accounting Principles. Principles which are (a) consistent with the principles promulgated or adopted by the Financial Accounting standards Board and its

predecessors (or successor organizations), and (b) such that a certified public accountant would, insofar as the use of accounting principles is pertinent, be in a position to deliver an unqualified opinion as to financial statements in which such principles have been properly applied, provided, that if any changes in generally accepted accounting principles with which the Borrower's independent certified public accountants concur result in a change in the method of calculation of any of the financial covenants, standards or terms contained in this Agreement, the parties hereto agree to amend such provisions to reflect such changes in generally accepted accounting principles so that the criteria for evaluating the Consolidated financial condition of any Person and its Subsidiaries, as provided herein, shall be the same after such changes as if such changes had not been made; and pending the final agreement of the parties with respect to the foregoing revisions, all such changes in generally accepted accounting principles will be disregarded for purposes of evaluating the Borrower's financial condition and compliance with all financial covenants set forth in this Agreement.

Hazardous Substance. Hazardous Substance(s) shall have the meaning ascribed to such term in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, or The Emergency Planning and Community Right-to-know Act of 1986, each as amended, and regulations promulgated thereunder.

Indebtedness. For any Person, any of the following:

- (i) all indebtedness for borrowed money;
- (ii) all indebtedness evidenced by bonds, notes, debentures or similar instruments;
- (iii) indebtedness under letters of credit or reimbursement agreements in respect thereof;
- (iv) indebtedness representing the deferred and unpaid balance of the purchase price of any property acquired (including pursuant to Capitalized Leases) or service performed, except any such balance that represents an accrued expense or trade payable;

(v) Rate Hedging Obligations; and

(vi) any guaranty by such Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, of all or any part of any Indebtedness described in (i) through (v);

in each case (other than (v) and (vi)) if and to the extent that any of the foregoing would appear as a liability (or with respect to the reimbursement indebtedness referenced in (iii) above, a footnote thereto) upon a balance sheet of such Person prepared in accordance with GAAP.

Interest Charges. For any period, the interest expense of Borrower

and its Subsidiaries (other than NVRMF and its Subsidiaries) on a Consolidated basis for such period on all Indebtedness, plus amortization of all Commitment Fees, Letter of Credit Fees and similar financing charges for such period, all as determined in accordance with GAAP.

Investments. All expenditures made and all liabilities incurred by any

Person (contingently or otherwise) for the acquisition of stock or Indebtedness (excluding Indebtedness incurred or acquired in the ordinary course of business) of, or for loans, advances, or capital contributions to, or in respect of any guaranties of Indebtedness (or other commitments as described under Indebtedness), or obligations in the nature of Indebtedness or securities of, any other Person.

Letters of Credit. Any and all letters of credit issued or that may be

issued from time to time by the Agent to secure the performance of certain undertakings by Borrower, as further described in (S)2.2 of this Agreement.

Letter of Credit Fee. See (S)4.2.

Loans. Collectively, the Revolving Credit Loans made by the Banks to

Borrower and all drawings made under the Letters of Credit issued by the Agent pursuant to this Agreement.

Loan Documents. Collectively, this Agreement, the Revolving Credit

Notes, the Reimbursement Agreements, and any and all promissory notes or other agreements,

instruments or documents delivered or to be delivered in connection with the Borrower's obligations to the Banks and the Agent pursuant to any of the foregoing.

Majority Banks. As of any date, the Banks holding at least sixty-six percent (66%), of the outstanding principal amount of the Revolving Credit Notes on such date; and if no principal is Outstanding, the Banks whose aggregate Commitment Percentages total at least sixty-six percent (66%), in each case including BKB in its capacity as a Bank.

Manufacturing Materials. Any building materials shown as inventory on the consolidated balance sheet of Borrower.

Maturity Date. See ss.2.1.1.

Maximum Commitment Amount. See ss.3.

Maximum Consolidated Leverage Ratio. See ss.9.9.

Maximum Drawing Amount. The maximum aggregate amount from time to time which the beneficiaries may draw under outstanding Letters of Credit, as the same may be reduced from time to time pursuant to the terms of the Letters of

Credit.

Net Income. The net income (or net deficit) of Borrower and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP consistently applied.

Net Sales Proceeds. This term shall mean, (i) for any Unit, an amount equal to the amount shown as due to the seller on the applicable HUD-1 (or similar) closing statement for such Unit; provided that the closing costs shown on such HUD-1 (or similar) closing statement shall only include such closing costs as are ordinarily and customarily charged in the market area in which such property is located and shall not exceed the amount of closing costs as are ordinarily and customarily charged in such market area consistent with Borrower's business practices, and (ii) for any other asset, an amount equal to the aggregate amount of cash received in connection with any sale, lease, transfer or other disposition of such asset after deducting therefrom (A) reasonable and customary brokerage commissions, legal fees, finder's fees and other similar fees and commissions and (B) the amount of taxes payable by Borrower in connection with or as a result of

such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are actually paid and (C) the portion thereof used to repay any Indebtedness permitted under this Agreement and secured by any such asset.

Net Worth. The excess of Total Assets over Total Liabilities.

New Indenture. The Indenture dated as of April 14, 1998 between Borrower and The Bank of New York, as Trustee, as supplemented by the First Supplemental Indenture dated as of April 14, 1998 among Borrower, NVR Homes, as Subsidiary Guarantor, and The Bank of New York, as Trustee.

NVRMF. NVR Mortgage Finance, Inc., a Virginia corporation.

NVR Delaware. NVR, Inc., a Delaware corporation.

Obligations. All Indebtedness, obligations and liabilities of Borrower to the Banks and the Agent, existing on the date of this Agreement or arising hereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, now or hereafter owing or incurred, arising under or in connection with this Agreement, the other Loan Documents or in respect of Loans made or the Letters of Credit or other instruments at any time evidencing any of the foregoing, including, without limitation, any obligation to pay Letter of Credit Fees, and the Agent's fee, to the extent applicable, which fee is set forth in a letter agreement between the Agent and Borrower of even date herewith together with all amounts due under ss.13 hereof.

Original Indenture. Indenture dated as of September 30, 1993, as amended, among Borrower and NVR Homes, NVR Financial Services, Inc., NVR Delaware and Fox Ridge, as Joint and Several Guarantors, and IBJ Schroder Bank and Trust Company, as Trustee.

Outstanding. With respect to the Loans, the unpaid principal thereof, as of any date of determination.

Overline Advance. An advance of all or a portion of the Overline Amount in accordance with the provisions of ss.3.4.

Overline Amount. \$10,000,000.00

Patents and Trademarks. The patents, trademarks and other similar intellectual property subject to the Patents and Trademarks License.

Patents and Trademarks License. The Service Mark License and Royalty Agreement dated as of October 1, 1996 between NVR Delaware, as Licensor, and NVR Homes, as licensee, as it may be amended from time to time.

Payment Date. The last day of each Eurodollar Advance Period for a Eurodollar Advance.

Pension Plan. See ss.6.14(a).

Permitted Distributions. Distributions permitted under ss.9.20 hereof.

Permitted Liens. Mortgages, pledges, security interests and other liens and encumbrances permitted to exist on the property of Borrower and its Subsidiaries pursuant to ss.9.19.

Person. Any individual, corporation, association, partnership, trust, unincorporated association, business, or other legal entity, and any government or any governmental agency or political subdivision thereof.

Pre-Start Costs. All costs incurred by Borrower with respect to a lot prior to the purchase of such lot by Borrower.

Rate Hedging Obligations. Any and all obligations of a Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and

(ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

Receivables. The Net Sales Proceeds payable to, but not yet received by, Borrower following a Unit Closing. All such Net Sales Proceeds must be held by a title insurance company, a settlement attorney or a law firm escrow account.

Register. See ss.17.3.

Reimbursement Agreement. The applications made and agreements entered into between the Agent, the Banks and Borrower relating to the Letters of Credit, in substantially the form attached as Exhibit D hereto, as the same may be amended and in effect from time to time.

Release. Any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, storing, escaping, leaching, dumping or discharging, burying, abandoning or disposing into the environment.

Renewal Fee. See ss.4.4.

Request for Advance. Any certificate signed by an Authorized Signatory or a request by electronic transmission through systems established by the Agent requesting an Advance hereunder which will increase the aggregate amount of the Revolving Credit Loans outstanding, which certificate or electronic request shall be designated the "Request for Advance," and shall be in substantially the form of Exhibit B attached hereto. Each Request for Advance shall, among other things, specify the date of the Advance, which shall be a Business Day, the amount of the Advance, and the type of Advance.

Restricted Subsidiaries. The following entities: Fox Ridge and NVR Delaware and such other entities as may be designated as a Restricted Subsidiary under the terms of the New Indenture and which comply with the provisions of Section 9.36.

Revolving Credit Commitment. The obligation of the Banks to make Revolving Credit Loans to Borrower under this Agreement up to an amount equal to the Maximum Commitment Amount minus the Maximum Drawing Amount.

Revolving Credit Loans. The revolving credit loans made or to be made to Borrower as contemplated by ss.2.1 hereof.

Revolving Credit Notes. See ss.2.1.2.

Scheduled Commitment Amount. See ss.3.1.

Senior Note Molders. The holders from time to time of the Senior Notes.

Senior Notes. The 1993 Senior Notes together with the 1998 Senior Notes.

Settled. With respect to any Unit, that title to such Unit has been conveyed by Borrower to a retail purchaser in accordance with the terms of the applicable Contract of Sale.

Shares. See ss.9.20.

Sold Units. Any Unit under a Contract of Sale that has not been canceled for any reason and has not yet Settled that contains a Customer Deposit of at least \$500.00; however, if a customer's mortgage financing does not require a down payment, such Unit shall qualify as a Sold Unit without such Customer Deposit, provided, however, if such mortgage financing is provided by NVRMF, then such financing must be pursuant to a third party take-out commitment. Only Units owned by Borrower shall be included in Sold Units. Units owned by Fox Ridge shall be excluded from Sold Units.

Speculative Inventory. With respect to any Person, on any date of determination, the sum of (i) the dollar value of Finished Lots owned by such Person which are not subject to a Contract of Sale and the Pre-Start Costs of such Person; and (ii) the dollar value of all Units owned by such Person which are not subject to a Contract of Sale, including, without limitation, all Units used as so-called "model units" in connection with any such Person's marketing efforts conducted in the ordinary course of its business, in each case determined in accordance with GAAP and without duplication.

Subsidiary. With respect to any Person, any corporation, association, trust, or other business entity, a majority (by number of votes) of the outstanding voting

power of which is at the time owned or controlled directly or indirectly by such Person.

Tangible Net Worth. The Net Worth of Borrower and its Subsidiaries on a Consolidated basis, less the net book value (after deducting reserves applicable thereto) of all of its intangible assets, including, without limitation, as intangible assets, (i) goodwill, trademarks, trade names, service marks, copyrights, patents, licenses, permits and rights related thereto and (ii) Excess Reorganization Value.

Threat of Release. An imminent and substantial likelihood of a Release which requires action to prevent or mitigate damage to the environment which may result from such Release.

Total Assets. All assets of Borrower and its Subsidiaries on a Consolidated basis.

Total Liabilities. All liabilities of Borrower and its Subsidiaries on a consolidated basis.

UCC Code. The Uniform Commercial Code as enacted and in effect in each applicable jurisdiction.

Units. Residential housing units, including townhouses and condominium units, and the Finished Lots on which such Units are located.

Unit Closing. The closing of a sale of a Unit by Borrower to a bona fide purchaser for value.

Unsold Unit. Any Unit that is not the subject of a Contract of Sale.

Warehouse Line. Loan Agreement dated as of July 13, 1998 as amended, among NVRMF, Chase Bank of Texas, National Association, as Agent, and the other lenders party thereto, as such agreement may be amended, modified, restated or replaced, with existing or new lenders or agents, from time to time after the date hereof.

Welfare Plan. See ss.6.14(b).

All terms of an accounting character not specifically defined herein shall have the meanings assigned thereto by GAAP. All terms not specifically defined herein which are

defined in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts shall have the same meanings herein as therein. Each reference herein to a particular Person (including, without limitation, the Agent) shall include a reference to such Person's successors and permitted assigns. The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subsection of this Agreement.

ss.2 The Credit.

ss.2.1 Revolving Credit Loans.

ss.2.1.1 Commitment to Lend and Borrower's Promise to Pay. Subject to the terms and conditions set forth in this Agreement, each of the Banks severally agree to lend to Borrower its Commitment Percentage of, and Borrower may borrow and reborrow from time to time between the Closing Date and May 31, 2001, upon notice to the Agent given in accordance with ss.2.1.4 hereof, such amounts as may be requested by Borrower; provided, however, that the maximum aggregate principal amount of all Revolving Credit Loans (after giving effect to the amounts requested) shall not at any one time exceed an amount equal to the Maximum Commitment Amount minus the Maximum Drawing Amount. The Revolving Credit Loans shall be made pro rata in accordance with each Bank's Commitment Percentage. Each request for Revolving Credit Loans hereunder shall constitute a representation by Borrower that the conditions set forth in ss.ss.7 and 8 hereof, as applicable, have been satisfied on the date of such request. The Revolving Credit Commitment shall terminate, and the Revolving Credit Loans shall mature and become due and payable on (i) May 31, 2001; or (ii) as to any Bank which has extended its Commitment pursuant to the penultimate sentence of this Section, the last day of such extension; or (iii) on such earlier date on which the maturity thereof is accelerated pursuant to the provisions of ss.10 hereof (the "Maturity Date") and Borrower hereby promises to pay on such date all amounts then outstanding hereunder. Each Bank's commitment to lend its Commitment Amount beyond May 31, 2001 (or such later date to which the Maturity Date may be extended by the consent of each Bank) to Borrower shall be subject annually to a one year extension at each Bank's sole discretion beginning on the first anniversary of the Closing Date and continuing on each anniversary date thereafter through the Maturity Date,

provided Borrower delivers to the Agent for the benefit of the Banks no later than sixty days (60) prior to each such anniversary date a notice requesting a one year extension of the Commitments. Each Bank shall be paid all interest, principal and fees owed to it no later than the expiration of its Commitment, and the Agent shall distribute an amended Schedule 1 to each party.

ss.2.1.2 The Revolving Credit Notes. The Revolving Credit Loans shall be evidenced by separate promissory notes of Borrower in substantially the form of Exhibit C hereto (each a "Revolving Credit Note"), dated as of the Closing Date and completed with appropriate insertions. One Revolving Credit Note shall be payable to the order of each Bank in a principal amount equal to such Bank's Commitment or, if less, the outstanding amount of all Revolving Credit Loans made by such Bank, plus interest accrued thereon, as set forth below. Borrower irrevocably authorizes each Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal on such Bank's Revolving Credit Note, an appropriate notation on such Bank's Revolving Credit Note Record reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on such Bank's Revolving Credit Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Revolving Credit Note Record shall not limit or otherwise affect the obligations of Borrower hereunder or under any Revolving Credit Note to make payments of principal of or interest on any Revolving Credit Note when due.

ss.2.1.3 Certain Mandatory Prepayments. If at any time the aggregate principal amount of all Revolving Credit Loans shall exceed an amount equal to the Maximum Commitment Amount in effect at such time minus the Maximum Drawing Amount, whether as a result of reductions in the Maximum Commitment Amount or otherwise, Borrower shall immediately pay to the Agent for the account of the Banks the amount of such excess.

ss.2.1.4 Requests for Revolving Credit Loans. Whenever Borrower desires to receive an Advance on a Revolving Credit Loan, Borrower shall give notice by way of a Request for

Advance by telex, cable or facsimile, delivered to the Agent's office at 100 Federal Street, Boston, Massachusetts 02110, Attention: Commercial Loan Services, Mail Stop: 74-02-05, or by electronic transmission through systems established by the Agent not later than 11:00 a.m. (Boston time) on the proposed Drawdown Date or the date established in ss. 2.1.5(c) if applicable, or by such other standard procedures agreed upon by Borrower and the Agent. Promptly upon receipt of any such notice, the Agent shall notify each of the Banks thereof. Each such notice (other than electronic notices) delivered by Borrower shall be in the form of the Request for Advance attached as Exhibit B, and shall specify the aggregate principal amount of an Advance of the Revolving Credit Loans requested. Each such notice shall obligate Borrower to accept the Advance of the Revolving Credit Loans requested from the Agent on the proposed Drawdown Date therefor. Whenever there is an Obligation due and payable, the Agent may (but shall not be required to) make an Advance for a Revolving Credit Loan in the amount of such Obligation and apply the proceeds of the Revolving Credit Loan to the payment of the Obligation, provided that the Agent shall promptly notify Borrower of such Loan and the application of proceeds thereof.

ss.2.1.5 Manner of Borrowing and Disbursement of Loans.

(a) Choice of Interest Rate. etc. Any Advance shall, at the option of Borrower, be made either as a Base Rate Advance or as a Eurodollar Advance or a Daily Eurodollar Advance; provided, however, that (i) if Borrower fails to give the Agent notice in writing or by electronic transmission through systems established by the Agent specifying whether an Advance is to be repaid or reborrowed on a Payment Date, such Advance shall be repaid and then reborrowed as a Base Rate Advance on the Payment Date, and (ii) Borrower may not select a Eurodollar Advance or a Daily Eurodollar Advance (A) with respect to an Advance, the proceeds of which are to reimburse the Agent pursuant to ss.2.2 hereof, or (B) if, at the time of such Advance, a Default or Event of Default has occurred and is continuing. Any notice given to the Agent in connection with a requested Advance hereunder shall be given to the Agent prior to 11:00 a.m. (Boston time) in order for such Business Day to count toward the minimum number of Business Days required. The Agent shall, upon reasonable request of Borrower from time to time,

provide to Borrower such information with regard to the Eurodollar Rate as may be so requested.

(b) Ease Rate Advances and Daily Eurodollar Advances.

(i) Initial and Subsequent Advances. Borrower shall give the Agent in the case of Base Rate Advances not later than 11:00 a.m. (Boston time) on the date of a proposed Advance, irrevocable prior notice by telephone or teletype and shall confirm any such telephone notice with a written Request for Advance; provided, however, that the failure by Borrower to confirm any notice by telephone or teletype with a Request for Advance shall not invalidate any notice so given.

(ii) Repayments and Reborrowings. Borrower may repay or prepay a Base Rate Advance and (a) at any time reborrow all or a portion of the principal amount thereof as one or more Base Rate Advances, (b) upon two (2) Business Days' irrevocable prior written notice to the Agent, reborrow all or a portion of the principal thereof as one or more Eurodollar Advances, or (c) not reborrow all or any portion of such Base Rate Advance. Upon the date indicated by Borrower, such Base Rate Advance shall be so repaid and, as applicable, reborrowed.

(iii) Limitations as to Base Rate Advances. Each Base Rate Advance shall be in a principal amount of no less than \$100,000 and in integral multiples of \$50,000. Requests for any Base Rate Advance may be made daily (but only once a day), provided Borrower satisfies all notice requirements as provided for herein.

(iv) Daily Eurodollar Advances. Daily Eurodollar Advances shall be governed by the same terms and conditions that govern Base Rate Advances set forth in this ss. 2.1.5.

(c) Eurodollar Advances.

(i) Initial and Subsequent Advances. Borrower shall give the Agent in the case of

Eurodollar Advances two (2) Business Days' irrevocable prior notice by telephone or teletype provided such notice must be given between the hours of 9:00 a.m. and 12:00 p.m. Boston time and on such second Business Day prior to the proposed funding and shall immediately confirm any such telephone notice with a written Request for Advance; provided, however, that the failure by Borrower to confirm any notice by telephone or teletype with a Request for Advance shall not invalidate any notice so given. The Agent, whose determination shall be conclusive, shall determine the Eurodollar Basis as of the second (2nd) Business Day prior to the date of the requested Advance and shall promptly notify Borrower of the same and Borrower shall promptly confirm in writing receipt of such notification. Upon receipt of such notice from Borrower, the Agent shall promptly notify each Bank by telephone or teletype of the contents thereof.

(ii) Procedures After Repayment. of Eurodollar Advance. Two (2) Business Days prior to each Payment Date for a Eurodollar Advance, Borrower shall give the Agent written notice specifying whether all or a portion of any Eurodollar Advance outstanding on the Payment Date (a) is to be repaid and then reborrowed in whole or in part as a new Eurodollar Advance, in which case such notice shall also specify the Eurodollar Advance Period which Borrower shall have selected for such new Eurodollar Advance, (b) is to be repaid and then reborrowed in whole or in part as a Base Rate Advance, or (c) is to be repaid and not reborrowed. Upon such Payment Date such Eurodollar Advance will, subject to the provisions hereof, be so repaid and, as applicable, reborrowed.

(iii) Limitations as to Eurodollar Advances. Each Eurodollar Advance shall be in a principal amount of no less than \$100,000 and in integral multiples of \$50,000, and at no time shall the aggregate number of all Eurodollar Advances then outstanding exceed five (5). Requests for Eurodollar Advances may be made daily (but only

once a day) provided Borrower satisfies all notice requirements as provided for herein.

(iv) Reimbursement. Whenever any Bank shall actually incur any losses or out-of-pocket expenses in connection with (i) failure by Borrower to borrow any Eurodollar Advance after having given notice of its intention to borrow (whether by reason of the election of Borrower not to proceed or the non-fulfillment of any conditions precedent), or (ii) prepayment of any Eurodollar Advance in whole or in part, for any reason, Borrower agrees to pay to such Bank, upon such Bank's demand, an amount sufficient to compensate such Bank for all such losses and out-of-pocket expenses. Such Bank's good faith determination of the amount of such losses and out-of-pocket expenses, absent manifest error, shall be binding and conclusive. The Bank shall provide a copy of the determination of such amount to Borrower showing in reasonable detail the calculation of the amount thereof.

(d) Notification of Banks. Upon receipt of a (i) Request for Advance or a telephone or telecopy request for Advance, (ii) notification that a draw has been made under any Letter of Credit, or (iii) notice from Borrower with respect to any outstanding Advance prior to the Payment Date for such Advance, the Agent shall promptly notify each Bank by telephone or telecopy of the contents thereof and the amount of each Bank's portion of any such Advance. Each Bank shall, not later than 3:00 p.m. (Boston time) on the date specified for such Advance in such notice, make available to the Agent at the Agent's office, or at such account as the Agent shall designate, the amount of such Bank's portion of the Advance in immediately available funds.

(e) Disbursement. Prior to 3:00 p.m. (Boston time) on the date of an Advance hereunder, the Agent shall, subject to the satisfaction of the conditions set forth in ss.2.1.5(d) hereof disburse the amounts made available to the Agent by the Banks in like funds by transferring the amounts so made available by deposit into the Borrower's account maintained with BKB or by wire transfer pursuant to the Borrower's

instructions. Unless the Agent shall have received notice from a Bank prior to 11:00 a.m. (Boston time) on the date of any Advance that such Bank will not make available to the Agent such Bank's ratable portion of such Advance, the Agent may assume that such Bank has made or will make such portion available to the Agent on the date of such Advance and the Agent may, in its sole discretion and in reliance upon such assumption, make available to Borrower on such date a corresponding amount. If and to the extent such Bank shall not have so made such ratable portion available to the Agent, such Bank agrees to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to Borrower until the date such amount is repaid to the Agent, (x) for the first two Business Days, at the rate on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day by the Federal Reserve Bank of New York, and (y) thereafter, at the Base Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's portion of the applicable Advance for purposes of this Agreement and if both such Bank and Borrower shall pay and repay such corresponding amount, the Agent shall promptly relend to Borrower such corresponding amount. If such Bank does not repay such corresponding amount immediately upon the Agent's demand therefor, the Agent shall notify Borrower and Borrower shall immediately pay such corresponding amount to the Agent. The failure of any Bank to fund its portion of any Advance shall not relieve any other Bank of its obligation, if any, hereunder to fund its respective portion of the Advance on the date of such borrowing, but no Bank shall be responsible for any such failure of any other Bank. In the event that a Bank for any reason fails or refuses to fund its portion of an Advance in violation of this Agreement, then, until such time as such Bank has funded its portion of such Advance, or all other Banks have received payment in full (whether by repayment or prepayment) of the principal and interest due in respect of such Advance, such non-funding Bank shall (i) have no right to vote regarding any issue on which voting is required or advisable under this Agreement or any other Loan Document, and (ii) shall not be entitled to receive any payments of principal,

interest or fees from the Agent (or the other Banks) in respect of its Loans, which amounts may be applied by the Agent for the benefit of the Agent and the other Banks in accordance with the provisions of Section 13.5(c) and thereafter in a manner determined by the Agent in its sole discretion.

ss.2.1.6 Interest. Interest on the principal amount of all Advances outstanding from time to time shall bear interest payable as follows:

(a) On Base Rate Advances. Interest on each Base Rate Advance shall be computed for the actual number of days elapsed on the basis of a hypothetical year of 360 days and shall be payable in arrears on the first day of each calendar month, commencing on the first day of the month for the month following the Closing Date. Interest on Base Rate Advances then outstanding shall also be due and payable on the Maturity Date. Interest shall accrue and be payable on each Base Rate Advance made with respect to the Revolving Credit Loans at the simple per annum interest rate equal to the Base Rate.

(b) On Eurodollar Advances. Interest on each Eurodollar Advance shall be computed on the basis of a hypothetical 360-day year for the actual number of days elapsed and shall be payable in arrears on the first day of each calendar month, commencing on the first day of the month for the month following the Closing Date. Interest on Eurodollar Advances then outstanding shall also be due and payable on the Maturity Date. Interest shall accrue and be payable on each Eurodollar Advance made with respect to the Revolving Credit Loans at a rate per annum equal to (A) the Eurodollar Basis applicable to such Eurodollar Advance, plus (B) one and one-half percent (1.50%); and

(c) On Daily Eurodollar Advances. Interest on each Daily Eurodollar Advance shall be computed for the actual number of days elapsed on the basis of a hypothetical year of 360 days and shall be payable in arrears on the first day of each calendar month, commencing on the first day of the month for the month following the Closing Date. Interest on Daily Eurodollar Advances then outstanding shall also be due and payable on the Maturity Date. Interest shall accrue and be payable on each Daily Eurodollar Advance

made with respect to the Revolving Credit Loans at the simple per annum interest rate equal to the sum of (A) the Daily Eurodollar Rate, plus (B) one and one-half percent (1.50%).

Promptly after calculating the amount of interest then due and owing, the Agent shall provide a written statement to Borrower, with a copy to the Banks, showing the basis for such calculation.

ss.2.1.7 Interest on Overdue Amounts. Overdue principal and (to the extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder and under the other Loan Documents shall bear interest at a rate per annum equal to four percent (4%) above the Base Rate, compounded daily (to the extent permitted by applicable law) and payable on demand, to accrue from the due date thereof until the obligation of Borrower with respect to the payment thereof shall be discharged, whether before or after judgment.

ss.2.1.8 Funds for Revolving Credit Loans. Not later than 3:00 p.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loans, each of the Banks will make available to the Agent, at its Head Office, in immediately available funds, the amount of such Bank's Commitment Percentage of the amount of the requested Revolving Credit Loans. Upon receipt from each Bank of such amount, and upon receipt of the documents required by ss.ss. 7 and 8 and the satisfaction of the other conditions set forth therein, to the extent applicable, the Agent will make available to Borrower the aggregate amount of such Revolving Credit Loans made available to the Agent by the Banks. The failure or refusal of any Bank to make available to the Agent at the aforesaid time and place on any Drawdown Date the amount of its Commitment Percentage of the requested Revolving Credit Loans shall not relieve any other Bank from its several obligation hereunder to make available to the Agent the amount of such other Bank's Commitment Percentage of any requested Revolving Credit Loans. The disbursement procedures set forth in Subsection 2.1.5(e) shall be applicable to Drawdowns under this Section.

ss.2.2 Letters of Credit.

ss.2.2.1 Issuance of Letters of Credit. Subject to the terms and conditions set forth in this Agreement and the

applicable Reimbursement Agreement, upon the written request of Borrower to the Agent and the execution and delivery of a Reimbursement Agreement by Borrower to the Agent, the Agent, on behalf of the Banks, agrees to issue with pro rata participation by the Banks, on the Closing Date or on any Business Day thereafter prior to the Maturity Date, one or more irrevocable stand-by Letters of Credit: provided, however, that (1) the aggregate Maximum Drawing Amount at any one time outstanding shall not exceed the lesser of (x) 50.0% of the Scheduled Commitment Amount then in effect or (y) \$24,000,000; and (ii) the sum of (x) the Maximum Drawing Amount and (y) Outstanding Revolving Credit Loans shall not at any time exceed the Maximum Commitment Amount. Each written request for the issuance of a Letter of Credit hereunder shall be received by the Agent at least three (3) Business Days prior to the proposed date of issuance. The expiry dates, amounts and beneficiaries of the Letters of Credit will be as agreed by Borrower and the Agent, and each Letter of Credit shall be in a form acceptable to Borrower and the Agent, except that no Letter of Credit shall have an expiry date later than the earlier of (i) the date one year after the date of issuance of such Letter of Credit (which may be subject to renewal for a renewal period ending not later than the date one year after the original or any subsequent expiry date) or (ii) the Maturity Date. Each Letter of Credit shall be issued pursuant to a Reimbursement Agreement to be entered into between Borrower and the Agent (for the accounts of the Banks); provided, however, that to the extent that the terms and conditions of any Reimbursement Agreement are in conflict with or are inconsistent with the terms and conditions of this Agreement, the obligations of the Agent, the Banks and Borrower with respect to Letters of Credit shall be governed by the terms and conditions of this Agreement. The reimbursement agreements required under this section may be accomplished by the execution and delivery by Borrower of the amended and restated reimbursement agreement which affects all letters of credit issued hereunder.

ss.2.2.2 Effects of Drawings. Upon each drawing under a Letter of Credit, the unreimbursed amount of the drawing shall automatically be converted into a Revolving Credit Loan, made on the date of such drawing. The liability of Borrower under this Agreement to repay the Banks in respect of drawings under Letters of Credit shall be Obligations under this Agreement and such liability shall rank pari

passu with the obligations of Borrower to repay all other Revolving Credit Loans hereunder.

ss.2.2.3 Bank Credit Facility. This Agreement, the Obligations and the Commitment are intended to constitute the "Bank Credit Facility" under the New Indenture and "Senior Bank Indebtedness" under the Original Indenture. This Agreement represents an amendment and restatement of the "New Working Capital Facility" under the Original Indenture and the "Bank Credit Facility" under the New Indenture.

ss.3 MAXIMUM COMMITMENT AMOUNT; REDUCTION AND INCREASE.

ss.3.1 Automatic Reductions. The "Maximum Commitment Amount" at any time of determination shall be equal to the lesser of (i) the Borrowing Base minus all amounts outstanding under the 1998 Senior Notes or (ii) the sum of the several Commitments of the Banks as shown on Schedule 1 hereto, such sum not to exceed \$60,000,000, subject to ss.2.1.1 and ss.3.3 below (the "Scheduled Commitment Amount"). If, at any time, the amount in (i) above is less than the amount Outstanding hereunder, Borrower shall make mandatory payments to the Agent in such amount as necessary to reduce the amount outstanding to the Maximum Commitment Amount.

ss.3.2 Optional Reductions. Borrower may at any time and from time to time upon five (5) Business Days' written notice to the Agent permanently reduce the Scheduled Commitment Amount, by the amount specified in such notice. Upon the effective date of any such reduction, Borrower agrees to pay to the Agent, for the accounts of the Banks, the full amount of any Commitment Fee then accrued on the amount of the reduction. No reduction of any Scheduled Commitment Amount of the Banks shall be subject to reinstatement.

ss.3.3 Increase in Commitment Amount. Borrower may request, by notice to the Agent, the Agent's approval of an increase of the Maximum Commitment Amount, from \$60,000,000 to an amount not to exceed \$100,000,000. Such approval shall be granted in the sole and absolute discretion of the Agent. The Commitment of any Bank shall not be increased without its consent. Borrower shall execute such documents and instruments as the Agent may request in order to evidence the increase of the Commitment. The Agent will promptly send each Bank an amended Schedule 1.

ss.3.4 Overline Amount. At such time as the Borrower would otherwise be entitled to an Advance, but the amount of the Obligations is equal to the Maximum Commitment Amount, then, in such event, the Borrower shall have the right to an Overline Advance in the additional aggregate amount of up to the then available Overline Amount in the same manner and upon the same terms as a Daily Eurodollar Advance with the following exceptions:

(a) All Overline Advances shall bear interest at Daily Eurodollar Rate plus 162.5 basis points;

(b) The Overline Advance shall be funded by the Agent for the benefit of any Banks participating in the Overline Amount;

(c) Any Overline Advance shall be used for working capital purposes;

(d) All amounts outstanding as Overline Advances, when taken together with the other Obligations, shall be permitted as a borrowing under the Borrowing Base; and

(e) During any fiscal year of Borrower, any and all Overline Advances shall only be made during a onetime period of 120 consecutive days.

The Borrower shall be entitled to two (2) Overline Advances in any calendar month. Any amounts received by the Agent during a period when any portion of the Overline Amount is outstanding shall be, in the ordinary course, paid first in accordance with ss.14 and thereafter shall be applied to all accrued interest on the Overline Amount and then in reduction of the Overline Amount prior to payment of any amounts to the Banks with respect to the Obligations. However, if an Event of Default has occurred and is continuing, the Overline Advances shall be paid pari passu with the other Obligations. In any event, Borrower shall make mandatory payments of all amounts outstanding of the Overline Amount together with all accrued and unpaid interest thereon to BKB on the first day of each calendar month.

ss.4 FEES.

ss.4.1 Commitment Fee. Borrower agrees to pay to the Agent, for the respective accounts of the Banks in accordance with their respective Commitment Percentages, a

commitment fee (the "Commitment Fee") calculated at the rate of three-eighths of one percent (.375%) per annum on the average daily amount during each calendar quarter or portion thereof from the Closing Date to the Maturity Date by which the Scheduled Commitment Amount (as the same may have been reduced pursuant to ss.3.2 above or increased pursuant to ss.3.3) exceeds the sum of (i) aggregate amount of Outstanding Revolving Credit Loans, and (ii) the Maximum Drawing Amount during such period. The Commitment Fee shall be payable quarterly in arrears on the first Business Day of each calendar quarter for the immediately preceding calendar quarter, commencing on the first such date after the Closing Date and ending with a final payment on the Maturity Date. Promptly after calculating each payment due in respect of the Commitment Fee as aforesaid, the Agent shall deliver a written statement to Borrower showing the basis therefor with a copy to the Banks.

ss.4.2 Letter of Credit Fees. Borrower shall pay to the Agent quarterly in advance a fee (the "Letter of Credit Fee") for each Letter of Credit issued pursuant to this Agreement to be calculated at the rate of one percent (1%) per annum on that portion of the Maximum Drawing Mount attributable to such Letter of Credit which fee shall be deemed earned upon receipt, plus the Agent's customary issuance and amendment fees, payable in accordance with the Agent's customary practice. The Letter of Credit Fee shall be payable quarterly in advance on the date of issuance and pro rated to the end of the current calendar quarter and thereafter payable on the first day of each subsequent quarter for the stated term of each such Letter of Credit and upon the date of any renewal, and thereafter quarterly in advance, for the renewal term of any Letter of Credit. The Agent shall disburse to the Banks on a pro rata basis their portion of the Letter of Credit Fee received from Borrower calculated at the rate of seventy-five hundredths percent (.75%) per annum, giving no consideration to any issuance or amendment fees.

ss.4.3 Agent's Fee. Borrower agrees and is obligated to pay that separate fee (the "Agent's Fee") as agreed to between Borrower and the Agent in that separate fee letter agreement (the "Fee Letter") dated of even date.

ss.4.4 Renewal Fee. Borrower shall pay to the Agent for the benefit of the Banks a renewal fee (the "Renewal Fee") as agreed to between Borrower and the Agent in the Fee Letter.

ss.5 COMPUTATIONS AND INTEREST LIMITATION.

ss.5.1 Computations. All computations of interest on the Loans, the Commitment Fee, the Agent's Fee and the Letter of Credit Fees shall be based on a 360-day year and paid for the actual number of days elapsed. Whenever a payment hereunder becomes due on a day which is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension for purposes of calculating such interest or fees in subsequent periods. The Outstanding amount of the Loans as reflected on the Agent's statement of the Loan account from time to time shall be considered prima facie evidence of such amounts.

ss.5.2 Interest Limitation. Notwithstanding any other term of this Agreement or any other document referred to herein or therein, the maximum amount of interest which may be charged to or collected from any person liable hereunder by the Agent shall be absolutely limited to, and shall in no event exceed, the maximum amount of interest which could lawfully be charged or collected under applicable law, so that the maximum of all amounts constituting interest under applicable law, howsoever computed, shall never exceed as to any person liable therefor such lawful maximum, and any term of this Agreement or any other document referred to herein or therein which could be construed as providing for interest in excess of such lawful maximum shall be and hereby is made expressly subject to and modified by the provisions of this paragraph.

ss.6 REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to the Banks and the Agent as follows

ss.6.1 Existence, Etc.

(a) Borrower is a corporation duly organized, existing and in good standing under the laws of the Commonwealth of Virginia and is qualified to do business and in good standing in the States of Delaware, Maryland, New Jersey, North

Carolina, New York, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia. Further, Borrower and each of the Restricted Subsidiaries are each qualified to do business and are in good standing and have taken all actions which, by reason of its ownership of property or carrying on of business, are required to be taken by it under the laws of any jurisdiction in which the failure to so qualify may have an adverse effect on the business, assets or financial condition of Borrower and the Restricted Subsidiaries taken as a whole, or on the ability of Borrower to perform its obligations under the Loan Documents.

(b) Borrower has all requisite power and authority and has full legal right to enter into each of the Loan Documents to which it is or is to become a party, to perform, observe and comply with all of its agreements and obligation, under each of such documents. Borrower has all requisite power and authority and full legal right to make all of the borrowings and obtain the extensions of credit contemplated by this Agreement.

(c) Borrower has no Subsidiaries other than as listed on Schedule 6.1(c).

ss.6.2 Business Activity.

(a) Since the Balance Sheet Date, Borrower has conducted its business in the ordinary course.

(b) Except as disclosed on Schedule 6.2(b) hereto, Borrower does not own or hold of record and/or beneficially (whether directly or indirectly) any shares of any class in the capital of any corporations, nor any legal and/or beneficial interests in any partnership, business trust or joint venture or in any other unincorporated trade or business enterprise.

ss.6.3 Authority, Etc. The execution and delivery by Borrower of each of the Loan Documents executed and delivered on the Closing Date, the performance of all of its agreements and obligations under each of such documents, and the making by Borrower of all of the borrowings contemplated by this Agreement, are within the corporate authority of Borrower, have been duly authorized by all necessary corporate action and do not and will not, with respect to Borrower, (i) contravene any provisions of its certificate of

incorporation (or other charter documents), by-laws or any stock provisions, or any amendment thereof, or (ii) with such exceptions, if any, as do not and will not materially and adversely affect the Borrower's assets, operations or financial condition or affect in any respect the enforceability against Borrower of the Loan Documents, conflict with, or result in a breach of any term, condition or provision of, or constitute a default under or result in the creation of any mortgage, lien, pledge, charge, security interest or other encumbrance upon any of Borrower's properties under any agreement, trust deed, indenture, mortgage or other instrument to which Borrower is a party or by which any of its properties is bound or affected or (iii) with such exceptions, if any, as do not and will not materially and adversely affect the Borrower's assets, operations or financial condition or affect in any respect the enforceability against Borrower of the Loan Documents, violate or contravene in any respect any provision of any law, regulation, order, ruling or interpretation thereunder or any decree, order or judgment of any court or governmental or regulatory authority, agency or official or (iv) require any waiver, consent or approval by any of the creditors or stockholders of Borrower which has not been obtained or (v) require any approval, consent, order, authorization or license by, or giving notice to, or taking any other action (other than (A) such approvals, consents, orders and authorizations that have been obtained and (B) such action as may be required to perfect liens and security interests), with respect to, any governmental or regulatory authority or agency under any provision of any law applicable to Borrower the absence of which could have a material adverse effect upon the Borrower's assets, operations or financial condition or which could affect the enforceability against Borrower of the Loan Documents.

ss.6.4 Binding Effect of Documents. Borrower has duly executed and delivered each of the Loan Documents and each of such documents is in full force and effect. The agreements and obligations of Borrower contained in each of the Loan Documents constitute legal, valid and binding obligations of it, enforceable against it in accordance with their respective terms, except to the extent enforceability is affected by bankruptcy and insolvency laws and other laws affecting the rights of creditors generally.

ss.6.5 No Events of Default, Etc.

(a) No Default or Event of Default has occurred and is continuing.

(b) Borrower is not (i) in default under any provision of its charter, by-laws, or stock provisions or (ii) with such exceptions, if any, as do not and will not materially and adversely affect the Borrower's assets, operations or financial condition or affect in any respect the enforceability against Borrower of the Loan Documents, in default under any indenture, instrument or agreement by which it is bound, or in violation in any respect of any applicable law, order, regulation, ruling or requirement of any court or public body or authority by which it or its properties are bound or affected.

ss.6.6 Chief Executive Offices. The chief executive offices of Borrower are located at 7601 Lewinsville Road, Suite 300, McLean, Virginia 22102.

ss.6.7 Financial Statements; Solvency.

(a) Borrower has furnished to the Banks its audited Consolidated Balance Sheet as of December 31, 1997 (the "Balance Sheet Date") and its unaudited Consolidated Balance Sheet as of March 31, 1998 and its unaudited Consolidated Statement of Operations for the three months ended March 31, 1998.

(b) The balance sheet and operating statements described above (i) have been prepared in conformity with generally accepted accounting principles applied, except as otherwise stated therein, on a consistent basis through the periods specified and (ii) present fairly the financial position of Borrower and its Subsidiaries as at the dates thereof.

(c) Each of Borrower, on the one hand, and its Subsidiaries, on the other hand, (after giving effect to the transaction contemplated hereby), is solvent, has assets having a fair value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured, and has, and will have, access to adequate capital for the conduct of its business and the ability to pay its

debts from time to time incurred in connection therewith as such debts mature.

ss.6.8 Changes; None Adverse. Since the Balance Sheet Date, there has not been any materially adverse change in the financial condition, assets, or results of operations of Borrower or any of the Restricted Subsidiaries. None of Borrower or any of the Restricted Subsidiaries is a party to any contract or agreement the performance of which could reasonably be expected to have a material adverse effect on its financial condition, assets or operations.

ss.6.9 Mortgages and Liens. None of the property, assets, income or revenues of any character of Borrower or any Restricted Subsidiary is subject to any mortgage, lien, pledge, charge, security interest, defect, restrictions on transfer or assignment thereof or other encumbrance of any kind, other than mortgages, liens, pledges, charges, security interests, defects and other encumbrances expressly permitted by ss.9.19 of this Agreement.

ss.6.10 Indebtedness. Borrower and the Restricted Subsidiaries have no Indebtedness other than Indebtedness expressly permitted by ss.9.6 of this Agreement.

ss.6.11 Litigation. Except as and to the extent described in the Annual Report on Form 10-K of Borrower for the fiscal year ended December 31, 1997, and except for such actions, suits or proceedings that would not have a material adverse effect on the Borrower's or any Restricted Subsidiary's assets, operations or financial condition or affect in any respect the enforceability against Borrower or any Restricted Subsidiary of the Loan Documents, there is no pending or threatened action, suit, or proceeding before any court, governmental or regulatory authority, agency, commission, or board of arbitration against Borrower or any Restricted Subsidiary.

ss.6.12 Taxes. Each of Borrower and each Restricted Subsidiary have filed all federal and (with such exceptions, if any, as do not relate to a material amount of taxes) all state and local tax returns required to be filed by it and has paid, or has made reasonable provision for payment of, all taxes which have or shall become due and payable pursuant to any of the said returns or pursuant to any matters heretofore raised by audits or for other reasons known to it, except for taxes the amount, applicability, or

validity of which are currently being contested by it in good faith by appropriate proceedings and with respect to which it has set aside on its books adequate reserves.

ss.6.13 Liens.

(a) No financing statement which names Borrower or any Restricted Subsidiary as a debtor has been filed and is in effect in any jurisdiction in the United States pursuant to Article 9 of the Uniform Commercial Code of any State (and Borrower has not signed any financing statement or any security agreement which is in effect authorizing any secured party thereunder to file any such financing statement in any such jurisdiction) other than those financing statements or security agreements with respect to liens, security interests and other encumbrances permitted by ss.9.19 hereof.

(b) No mortgages, chattel mortgages, assignments, statements of assignment, security agreements or deeds of trust have been filed or recorded and are in effect with respect to any part of the property or assets of Borrower or any Restricted Subsidiary except for mortgages and security agreements which are permitted by the provisions of ss.9.19 hereof.

ss.6.14 ERISA compliance; Severance Obligations.

(a) Schedule 6.14(a) hereto lists each pension plan (as defined in ss.3(2) of ERISA) established or assumed or maintained, or to which contributions are made by Borrower or any Person which is a member of the same controlled group, or under common control (within the meaning of ss.414(b) or (c) of the Code or ss.4001(b)(1) of ERISA), with any of the foregoing as of the date hereof (each such plan being referred to herein as a "Pension Plan"). No such Pension Plan is a multiemployer plan (as defined in ss.4001(a)(3) of ERISA) and each Pension Plan is, and has at all times been, in compliance in all material respects with the applicable provisions of ERISA and the Code, including without limitation any minimum funding requirements applicable with respect to such Pension Plan under ss.412 of the Code. Schedule 6.14(a) hereto lists each reportable event within the meaning of ss.4043 of ERISA and the regulations promulgated thereunder with respect to any

Pension Plan which occurred after 1986 and for which the requirement of notice to the Pension Benefit Guaranty Corporation (the "PBGC") has not been waived by the PBGC.

(b) Schedule 6.14(b) hereto lists each welfare plan (as defined in ss.3(1) of ERISA) established or assumed or maintained, or to which contributions are made, by Borrower (each such plan being referred to herein as "Welfare Plan") as of the date hereof. No such Welfare Plan is a multiemployer plan and each Welfare Plan is, and has at all times been, in compliance in all material respects with the applicable provisions of ERISA and the Code. Except as set forth in Schedule 6.14(b), Borrower does not have any material liability for post-retirement benefits provided or to be provided to employees under any Welfare Plan, except to make available coverage in satisfaction of the provisions regarding employee benefit plans set forth in the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(c) On the date hereof, there is no unfulfilled obligation on the part of Borrower to make any material contribution with respect to either the Pension Plans or the Welfare Plans.

(d) The execution and delivery of the Loan Documents and the consummation of the transactions contemplated thereby will not involve any prohibited transaction within the meaning of ERISA with respect to the Pension Plans or the Welfare Plans which would have a material adverse effect on the business, operations or financial condition of Borrower.

(e) Schedule 6.14(e) hereto describes the nature and amount of all obligations of Borrower to make severance payments or provide post-employment benefits pursuant to any contract or other arrangement with any of its employees, officers or directors (other than the Pension Plans and Welfare Plans).

ss.6.15 Other Representations. Each of the representations and warranties made by Borrower in any of the Loan Documents was true and correct in all material respects when made and continues to be true and correct in all material respects on the Closing Date, except to the

extent that any of such representations and warranties have been affected by the consummation of the transactions contemplated and permitted or required by the Loan Documents.

ss.6.16 Disclosure. No representation or warranty made by Borrower in this Agreement or in any agreement, instrument, document, certificate, statement or letter furnished to the Agent by or on behalf of Borrower in connection with any of the transactions contemplated by any of the Loan Documents contains any untrue statement as of the date thereof of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which they are made.

ss.6.17 Molding Company and Investment Company Acts, Borrower is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935; nor is it a "registered investment company", or an "affiliated company" or a "principal underwriter" of a "registered investment company, as such terms are defined in the Investment Company Act of 1940, as amended.

ss.6.18 Regulations U and X. The proceeds of the Loans shall be used by Borrower solely for the purposes specified in ss.9.4. No portion of any Loan is to be used for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

ss.6.19 Fiscal Year. Borrower has a fiscal year ending December 31 of each year.

ss.6.20 Compliance With Certain Environmental Laws and Laws Pertaining to Land Sales.

(a) Except as shown on Schedule 6.20 hereto, Borrower has not received notice nor does it otherwise have knowledge that it is in violation in any respect of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response,

Compensation and Liability Act of 1980 ("CERCLA"), the Federal Water pollution Control Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Flood Disaster Protection Act of 1973, or any state statute, regulation, or administrative order addressing subjects the same as or comparable to those covered by such enumerated federal statutes.

(b) Except as otherwise disclosed on Schedule 6.20 hereto, Borrower has not received notice that it has been identified by the United States Environmental Protection Agency as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); nor has Borrower received any notification that hazardous substances (as defined under CERCLA) it has disposed of have been found in any site at which a federal or state agency is conducting a remedial investigation or other action pursuant to RCRA, CERCLA or any state statute, regulation, or administrative order addressing subjects the same as or comparable to those statutes.

(c) Except as disclosed on Schedule 6.20 hereto, to the best of Borrower's knowledge no portion of the properties of Borrower has been used for the handling, processing, storage or disposal of "hazardous wastes" except in compliance with all applicable laws and no underground tank or other underground storage receptacle for hazardous chemicals (as defined in ss.311(e) of CERCLA) is located on any properties of Borrower.

(d) Except as disclosed on Schedule 6.20, neither Borrower nor, to the best of the knowledge of Borrower, any of its directors, officers, agents or employees has now or at any time in the past, been given notice that it was, in violation of (1) the Interstate Land Sales Full Disclosure Act (the "Interstate Land Sales Act") or similar laws pertaining to land sales in any state in which Borrower owns, sells, transfers, manages, operates, develops or otherwise disposes of real property (ii) any federal or state securities law, (iii) the federal Truth in Lending Act (including regulations written under such Act by the Board of Governors of the Federal Reserve System) or any similar state statute, (iv) the federal Equal Credit Opportunity Act (including regulations written under such Act by the Board of Governors of the Federal Reserve System) or any similar state statute, or (vi) any judgment, decree, order, law,

license, rule or regulation arising under such statutes or with respect to the matters covered thereby.

ss.6.21 Insurance. The policies of insurance or certificates of insurance furnished to the Agent with respect to the business and properties of Borrower, as described on Schedule 6.21 hereto, are in full force and effect and no notice of cancellation or non-renewal has been received with respect thereto.

ss.6.22 Compliance with Indentures. Neither Borrower's entering into this Agreement, nor anything contained herein, violates any covenants contained in the Original Indenture or the New Indenture nor results or shall result in a Default or Event of Default thereunder.

ss.6.23 Stock Ownership. (a) Borrower owns all of the stock of the Restricted Subsidiaries as of the Closing Date and no Person other than Borrower owns any ownership, beneficial or pledged interest in any Restricted Subsidiary, except as provided in the Original Indenture.

(b) Borrower owns all of the Stock of NVRMF as of the Closing Date and no Person other than Borrower owns any ownership, beneficial or pledged interest in NVRMF.

ss.7 CONDITIONS TO THE FIRST LENDING. The obligations of the Banks to make the first Advance for a Revolving Credit Loan or of the Agent to issue any Letters of Credit to be issued on the Closing Date for the account of Borrower hereunder shall be subject to the satisfaction, prior thereto or concurrently therewith, of each of the following conditions precedent:

ss.7.1 Loan Documents, Etc. Each of the Loan Documents shall have been duly and properly authorized, executed and delivered by the respective party or parties thereto and shall be in full force and effect on and as of the Closing Date. Executed original counterparts of each of the Loan Documents shall have been furnished to the Agent.

ss.7.2 Legality of Transactions. No change in applicable law shall have occurred as a consequence of which it shall have become and continue to be unlawful (a) for any of the Banks or the Agent to perform any of the agreements or obligations under any of the Loan Documents to which any of them is a party on the Closing Date or (b) for Borrower

to perform any of its agreements or obligations under any of the Loan Documents.

ss.7.3 Representations and Warranties. Each of the representations and warranties made to the Banks and the Agent by or on behalf of Borrower and the Restricted Subsidiaries in this Agreement or the other Loan Documents shall be true and correct in all material respects when made, shall, for all purposes of this Agreement, be deemed to be repeated on and as of the Closing Date, and shall be true and correct in all material respects on and as of such date.

ss.7.4 Performance, Etc. Borrower shall have duly and properly performed, complied with and observed each of its covenants, agreements and obligations contained in any of the Loan Documents which are required to be performed on or prior to the Closing Date. No event shall have occurred and be continuing on the Closing Date, and no condition shall exist on the Closing Date, which constitutes a Default or an Event of Default.

ss.7.5 Certified Copies of Certain Documents. The Agent shall have received from Borrower copies, certified by its corporate secretary to be true and complete on the Closing Date, of the Certificate of Incorporation and by-laws of Borrower.

ss.7.6 Proof of Action by Borrower. The Agent shall have received copies, certified by the corporate secretary of Borrower to be true and complete on the Closing Date, of the records of all actions taken by its directors and shareholders as may be required to authorize (a) its execution and delivery of each of the Loan Documents to which it is a party, (b) its performance of all of its agreements and obligations under each of such documents, and (c) the borrowings and other transactions contemplated by this Agreement.

ss.7.7 Incumbency Certificate. The Agent shall have received from Borrower an incumbency certificate, dated the Closing Date, signed by its corporate secretary and giving the name and bearing a specimen signature of each individual who shall be authorized: (i) to sign on its behalf each of the Loan Documents to which it is or is to become a party; (ii) to make application for the Loans or the issuance of

Letters of Credit; and (iii) to give notices and to take any other action on its behalf under the Loan Documents.

ss.7.8 Proceedings and Documents. All corporate, governmental and other proceedings in connection with the transactions contemplated by the Loan Documents and all instruments and documents incidental thereto, shall be in form and substance reasonably satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested. With respect to the Letters of Credit issued on the Closing Date, if any, Borrower shall have duly authorized, executed and delivered to the Agent a Reimbursement Agreement.

ss.7.9 Fees. Borrower shall have complied with its obligation under ss.ss.4.1, 4.2, 4.3 and 4.4 to pay the Commitment Fee, the Letter of Credit Fees (if applicable), and the Agent's Fee, in addition to its obligation to pay any fees or other charges, if any, then due under the Loan Documents.

ss.7.10 Legal Opinions. The Agent shall have received the written opinion, addressed to the Agent and the Banks and dated the Closing Date, from Hogan & Hartson L.L.P., Counsel to Borrower in the form acceptable to counsel to the Agent.

ss.7.11 Borrowing Base Report. The Agent shall have received from Borrower on the first Business Day preceding the Closing Date a complete and accurate Borrowing Base Report as of the last Business Day of the preceding month (or the month preceding such month if the Closing Date occurs during the first nine days of the month).

ss.7.12 Certificates of Insurance. The Agent shall have received (i) a certificate of insurance from an independent insurance broker dated as of the Closing Date, or within fifteen (15) days prior thereto, identifying insurers, types of insurance, insurance limits, and policy terms, and otherwise describing the insurance to be obtained in accordance with the provisions of this Agreement and (ii) certified copies of all policies evidencing such insurance (or certificates therefore signed by the insurer or an agent authorized to bind the insurer).

ss.7.13 Legal Fees. Borrower shall have paid in full all of the Agent's reasonable legal fees and expenses incurred in connection with this Agreement, and the other Loan Documents, for which preliminary statements have been presented. It is understood that appropriate adjustments will promptly be made after the Closing Date to more accurately reflect actual legal fees and expenses incurred by the Agent, as such fees and expenses shall be set forth in a detailed statement to be delivered at such time.

ss.8 CONDITIONS TO SUBSEQUENT LOANS AND LETTERS OF CREDIT. The obligation of the Banks to make any Advances for Revolving Credit Loans subsequent to the first such Loan and to issue any Letter of Credit to be issued subsequent to the Closing Date pursuant to ss.2.2.1 shall be subject to the satisfaction of the following conditions precedent:

ss.8.1 Legality of Transactions. It shall not be unlawful (a) for any of the Banks to perform any of the agreements or obligations under any of the Loan Documents to which any of them is a party on the Drawdown Date of such Loan or the date of issuance of such Letter of Credit other than those waived by Borrower, or (b) for each party other than the Banks and the Agent to perform any of their respective agreements or obligations under any of the Loan Documents to which any of them is a party on such date.

ss.8.2 Representations and Warranties: No Default. Each of the representations and warranties made to the Banks and the Agent by or on behalf of Borrower or the Restricted Subsidiaries in this Agreement or any other Loan Documents shall be true and correct in all material respects when made and shall, for all purposes of this Agreement, be deemed to be repeated on and as of the date of the Borrower's Request for Advance for such Loan or request for the issuance of such Letter of Credit and on and as of the Drawdown Date of such Loan or the date of the issuance of such Letter of Credit, and shall be true and correct in all material respects on and as of each of such dates, except, in each case, as affected by other actions taken or other circumstances hereafter arising which are not in violation of the Loan Documents; and no Default or Event of Default shall have occurred and be continuing.

ss.8.3 Performance, Etc. Borrower shall have duly and properly performed, complied with and observed in all material respects (excluding any breach which has been

cured) its covenants, agreements, and obligations in all provisions of this Agreement, including, without limitation, those set forth in ss.9 hereof, and any of the other Loan Documents to which it is a party or by which it is bound on the Drawdown Date of such Loan or the date of the issuance of such Letter of Credit. No event shall have occurred on or prior to such date and be continuing, and no condition shall exist on such date, which constitutes a Default or an Event of Default.

ss.8.4 Proceedings and Documents. Any corporate, governmental and other proceedings which are undertaken in connection with the transactions contemplated by such Loan or Letter of Credit and any instruments and documents incidental to such Loan or Letter of Credit shall be in form and substance reasonably satisfactory to the Agent, and the Agent shall have received all such counterpart originals or certified or other copies of all such instruments and documents as the Agent shall have reasonably requested. With respect to each Letter of Credit, Borrower shall have duly authorized, executed and delivered to the Agent a Reimbursement Agreement.

ss.8.5 Payment of Fees. Borrower shall have complied with its obligations under ss.4 to pay any Commitment Fee, Letter of Credit Fee, Agent's Fee and any other amount payable hereunder at any time subsequent to the Closing Date and becoming due and payable on or before the Drawdown Date of such Loan or the date of the issuance of such Letter of Credit, provided, that the Agent will make Revolving Credit Loans to pay any such amounts due on any Drawdown Date, subject to the Borrower's satisfaction of all other conditions precedent to the Banks' obligation hereunder to fund any such request for Revolving Credit Loans.

ss.9 COVENANTS OF BORROWER. Borrower covenants and agrees, so long as any Loan or Letter of Credit is Outstanding or the Banks have any obligation to make Loans or the Agent has an obligation to issue Letters of Credit hereunder, as follows:

ss.9.1 Punctual Payment. Notwithstanding the Banks' right to make Revolving Credit Loans in the amount of any Obligation due hereunder, Borrower will duly and punctually pay or cause to be paid the principal and interest on the Loans, and the Commitment Fee, Letter of Credit Fee, and all other fees and other amounts due and payable hereunder, all

in accordance with the terms of this Agreement and any applicable Loan Document.

ss.9.2 Business Activity. Borrower and the Restricted Subsidiaries shall at all times, and in all material respects, continue to conduct each of its business (i) in the ordinary course consistent with its past practices and (ii) in accordance with the policies and objectives set forth in the most recent business plan delivered to the Agent from time to time pursuant to ss.9.10(b) hereof.

ss.9.3 Legal Existence, Etc. Borrower (i) will maintain its legal existence and good standing under the laws of the state of its incorporation and (ii) will maintain its qualification to do business in the States of Delaware, Florida, Maryland, New Jersey, North Carolina, New York, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia, so long as Borrower continues to do business or own property in such states. Each of Borrower and the Restricted Subsidiaries will maintain its qualification to do business in each other state in which the failure to do so would have a material adverse effect on its condition, financial or otherwise, and will maintain all of its rights and franchises, except where the failure to maintain such right or franchise would not have a material adverse effect on the conduct of its business.

ss.9.4 Use of Loan Proceeds: Letters of Credit. Borrower shall use the proceeds of Advances for the Revolving Credit Loans solely to provide for the working capital needs of Borrower and Fox Ridge and to meet such other capital needs of Borrower as are provided for under this Agreement and to make Investments and Distributions to the extent expressly permitted under this Agreement.

ss.9.5 Subordinated Debt. Borrower shall not enter into any debt which is subordinate to this Loan without the written consent of Agent and the execution of an intercreditor agreement in a form acceptable to the Agent, other than indebtedness between Borrower and NVRMF, subject to the limitations of ss.9.6 of this Agreement.

ss.9.6 Indebtedness. Borrower will not and will not permit a Restricted Subsidiary to incur or permit to exist or remain outstanding any Indebtedness to any Person; provided, however, that each, unless otherwise specified below, may incur or permit to exist or remain outstanding;

(a) Indebtedness arising under this Agreement or the other Loan Documents;

(b) Indebtedness not otherwise provided for in this ss.9.6 in respect of obligations outstanding on the Closing Date but only to the extent specifically described on Schedule 9.6 annexed hereto;

(c) Indebtedness of Borrower in respect of the 1993 Senior Notes and related guaranties by certain of the subsidiaries of Borrower;

(d) Indebtedness secured by Permitted Liens;

(e) Indebtedness representing an extension, renewal or refunding of any Indebtedness listed in Schedule 9.6 or permitted pursuant to clause (f) of this ss.9.6, to the extent that the aggregate outstanding amount thereof plus prepayment premiums, consent fees and expenses, is not increased thereby;

(f) Indebtedness arising from intercompany advances from Borrower to a Restricted Subsidiary or among Restricted Subsidiaries or from a Restricted Subsidiary to Borrower to the extent not prohibited by this Agreement;

(g) purchase money indebtedness, nonrecourse indebtedness and Indebtedness under capitalized Leases incurred after the Closing Date in an aggregate principal amount not to exceed \$10,000,000 at any time outstanding;

(h) unsecured Indebtedness of Borrower or Restricted Subsidiaries set forth on Schedule 9.6(h) hereto;

(i) unsecured Indebtedness not permitted by any other clause of this ss.9.6 in an aggregate principal amount at any time outstanding not to exceed \$10,000,000;

(j) guaranties by Borrower or any Restricted Subsidiary of any Indebtedness permitted by any other clause of this ss.9.6;

(k) Indebtedness of the Borrower to any Subsidiary of Borrower other than a Restricted Subsidiary in the aggregate amount not to exceed \$20,000,000; provided that such indebtedness shall be expressly subordinated to the Obligations; and

(l) the 1998 Senior Notes and the guarantee thereof by any Restricted Subsidiary; provided, however, that any Restricted Subsidiary that guarantees the 1998 Senior Notes shall also guarantee the Obligations hereunder on a pari passu basis.

ss.9.7 Minimum Tangible Net Worth. Borrower and its Subsidiaries shall, as of December 31, 1997, have a Consolidated Tangible Net Worth of at least positive \$45,000,000. Thereafter, on a quarterly basis, Borrower and its Subsidiaries shall have a Consolidated Tangible Net Worth of at least \$45,000,000 plus fifty percent (50%) of cumulative, quarterly positive Net Income, plus one hundred percent (100%) of net proceeds of any equity issued (excluding performance stock awards and employee stock options). Borrower shall report Consolidated Tangible Net Worth to the Agent as of the last day of each fiscal quarter.

ss.9.8 Debt Service Coverage. Borrower will not permit the ratio of EBITDA for any period of four consecutive quarters, to Debt Service Payments determined for any such period to be less than 2.0:1. For purposes of calculating the foregoing ratio, the impact of the 1998 Senior Notes shall be excluded until May 19, 1998.

ss.9.9 Maximum Indebtedness Leverage Ratio. At all times, tested on a quarterly basis as of the last day of each fiscal quarter, the ratio of the amount of Indebtedness of Borrower and its Subsidiaries (other than NVRMF and its Subsidiaries) on a Consolidated basis to EBITDA for the four preceding fiscal quarters shall not be greater than 4.0:1.

9.9 A. Total Liabilities. At all times, tested on a quarterly basis as of the last day of each fiscal quarter, Borrower shall not permit the ratio of Total Liabilities determined for any period to EBITDA for the four preceding fiscal quarters to be greater than 5.5:1. For purposes of the calculation of Total Liabilities under this Section, the liabilities of NVRMF and its Subsidiaries shall be excluded.

ss.9.10 Financial Statements. Borrower will furnish or cause to be furnished financial statements and other reports to the Agent and the Banks as follows:

(a) within 90 days after the close of each fiscal year, the Consolidated balance sheet and statement of operations for Borrower and its subsidiaries (collectively, the "Financial Statements") for such year, in reasonable detail, and, setting forth in comparative form the corresponding figures for the preceding year, prepared in accordance with GAAP consistently applied (except as otherwise disclosed therein), accompanied by a report and unqualified opinion on the Financial Statements of KPMG Peat Marwick, L.L.P., or such other independent certified public accountant of national standing selected by Borrower;

(b) within 45 days after the close of each fiscal year, the business plan of Borrower, for the 12 month period commencing at the start of the then current fiscal year in form and level of detail consistent with the business plan previously furnished to the Agent by Borrower for calendar year 1995;

(c) within forty-five (45) days after the end of each quarter, (i) the unaudited Consolidated balance sheet and statement of operations similar to those required by clause (a) above as of the end of such period and for such period then ended and for the period from the beginning of the current fiscal year to the end of such period prepared (except for the absence of footnotes) in accordance with GAAP consistently applied and certified on behalf of Borrower by its treasurer or other authorized financial officer, subject only to changes resulting from audit and normal year-end adjustments and (ii) the Borrower's management report which sets forth operating profit and asset information for each construction operating profit center in which Borrower is doing business separately and for all of the Borrower's operations as an entirety, as well as setting forth in comparative form, the corresponding current annual operating plan figures for such period;

(d) with the delivery of each quarterly statement, a computation showing compliance with the

covenants set forth in ss.9.6 and ss.9.33 hereof, and with the delivery of each quarterly statement referenced in (c) above, a computation showing compliance with the covenants set forth in ss.9.7, ss.9.8 and ss.9.9; all certified on behalf of Borrower by the authorized financial officer of Borrower in a certificate also stating, without qualification, that the covenants set forth in ss.9.20 and ss.9.21 have been fully complied with ("Compliance Certificate");

(e) at the end of each calendar quarter, at the time of delivery of such quarterly and annual statement, a certificate, executed on behalf of Borrower by its treasurer or other authorized financial officer, stating that such officer has caused this Agreement to be reviewed and has no knowledge of any Default by it in the performance or observance of any of the provisions hereof, during such quarter or at the end of such year, or, if such officer has such knowledge, specifying each Default and the nature thereof;

(f) promptly upon receipt thereof, copies of all management letters which are submitted to it by its independent accountants in connection with any annual or interim audit of its books made by such accountants;

(g) a Borrowing Base Report, in such form and at such times specified in ss.9.29;

(h) with reasonable promptness, such other data with respect to the financial condition of Borrower as the Agent from time to time requests.

ss.9.11 Notice of Litigation and Judgment. Borrower will give notice in writing, in form and detail satisfactory to the Agent and the Banks, within twenty days of becoming aware of any litigation or proceeding threatened in writing or any pending litigation and proceedings to which either of them is or becomes a party involving an uninsured claim against it or any litigation or proceeding against any Persons, including a Restricted Subsidiary, which, if adversely determined would materially and adversely affect the financial condition, assets or operations of Borrower or the Restricted Subsidiaries and stating the nature and status of such litigation or proceedings. Borrower will give notice, in writing, in form and detail satisfactory to

the Agent, promptly upon becoming aware of any judgment, final or otherwise, against it in an amount in excess of \$1,000,000.

ss.9.12 Notice of Defaults. Borrower will give notice in writing to the Agent and the Banks promptly upon becoming aware of the occurrence of any Default under this Agreement.

ss.9.13 Books and Records; Fiscal Year. The books and records relating to the financial affairs of Borrower shall at all times be maintained in accordance with, and all financial statements provided for herein (except as otherwise contemplated herein), shall be prepared in accordance with, GAAP consistently applied, subject only to changes resulting from audit and normal year-end adjustments. Such books and records shall be kept by Borrower at its principal place of business at 7601 Lewinsville Road, McLean, Virginia 22102 or at such other location as Borrower shall specify by prior written notice given to the Agent. Borrower shall maintain a fiscal year ending December 31 of each year.

ss.9.14 Insurance. Borrower shall and shall cause the Restricted Subsidiaries to maintain with financially sound and reputable insurers insurance with respect to its properties and its business of the kind described in Schedule 6.21 and against such other casualties and contingencies and in such types and such additional amounts as shall be in accordance with sound business practices. All such insurance shall be in such form, for such periods and written by such companies as may be reasonably satisfactory to the Agent and (except for third-party liability insurance) shall be payable to the Borrower as its interests may appear. The Agent may apply all proceeds received by it to pay Obligations hereunder in such order as it shall determine in its discretion. All policies of insurance shall provide for thirty (30) days prior written minimum cancellation notice to the Agent and shall name the Agent as additional insured party. Certificates of insurance (or, if requested by the Agent, certified copies of policies) with respect to all renewals or replacements of such insurance from time to time in force together with evidence of payment of premiums thereon satisfactory to the Agent shall be delivered to the Agent on or before the expiration date of then current insurance. No settlement on account of any loss covered by such insurance (other than third party liability insurance) which exceeds \$1,000,000

shall be made without the consent of the Agent. In the event of failure to provide and maintain insurance as herein provided the Agent may, at its option, after giving notice to Borrower provide such insurance and charge the amount thereof to Borrower. Borrower shall furnish to the Agent certificates or other evidence satisfactory to the Agent of compliance with the foregoing insurance provision. Without limiting the foregoing, Borrower will (i) keep all of its physical property (excluding furnishings, certain office equipment and other items of personal property consistent with the Borrower's past business practices) insured against fire and extended coverage risks in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, (ii) maintain all such workers' compensation or similar insurance as may be required by law, (iii) maintain, in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about its properties and (iv) in the event any of its properties or any portion thereof are located in a flood hazard area identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, as amended by the Flood Disaster Act of 1973 (and any successor Act thereto), maintain a flood insurance policy to the extent required by the Flood Disaster Act of 1973. Borrower shall in all material respects at all times comply with and conform to all provisions of each such insurance policy and to all requirements of the insurers thereunder applicable to Borrower, its properties or to the use, occupation, possession, operation, maintenance or repair of all or any portion of its properties.

ss.9.15 Taxes. Borrower shall and shall cause the Restricted Subsidiaries to pay all general and special taxes, assessments, rates, dues, charges (including, without limitation, water and sewer services charges), fees, levies, fines, impositions, liabilities, obligations and encumbrances of every name, nature and kind, whatsoever, which are now or hereafter imposed, levied or assessed upon or against any of its properties or any part thereof as well as all income taxes, assessments and other governmental charges levied or imposed by the United States of America or any state, county, municipality or other taxing authority

upon or against Borrower or the Restricted Subsidiaries or in respect of any of the properties of either or any part thereof which could become a lien thereupon, prior to the time when any penalties or interest accrue with respect thereto, on non-payment thereof (with allowance, however, for late payment or non-payment of amounts, including any potential penalties therefor, however named, which are not in the aggregate material). Notwithstanding anything foregoing to the contrary, provided that Borrower or any of the Restricted Subsidiaries, as the case may be, sets aside on its books adequate reserves (in accordance with GAAP) with respect to any such payment with respect to it, such Person shall be entitled to contest the same, without prior payment if permitted by applicable law, by appropriate proceedings diligently pursued in good faith. Borrower agrees to reimburse the Agent on demand for any and all expenditures so made, and until paid the amount thereof shall be an Obligation secured hereunder. The Agent shall have no obligation to Borrower to make any such expenditures, nor shall the making thereof relieve Borrower of any Default or Event of Default. The Borrower and its Subsidiaries are parties to a tax-sharing agreement which has been reviewed and approved by the Agent and the Banks.

ss.9.16 Compliance with Law. Borrower shall and shall cause the Restricted Subsidiaries to (i) comply in all material respects with all laws, rules, regulations, codes, ordinances, orders, writs, judgments, injunctions, decrees or awards, and any lawful private restrictions and other encumbrances constituting Permitted Liens whether now existing or hereafter arising, to which it or its properties may be or become subject noncompliance with which could have a material adverse effect on its business, operations or financial condition or its ability to fulfill its obligations under this Agreement or the other Loan Documents, (and will comply in all material respects with any applicable requirements of the Interstate Land Sales Act and any other laws with respect to land sales, including without limitation, disclosure laws, in any state in which it engages in business) and (ii) promptly obtain, maintain, apply for renewal, and not allow to lapse, any authorization, consent, approval, license or order, and accomplish any filing or registration with, any court or judicial, administrative or governmental authority having jurisdiction over it, its business or properties which may be or may become necessary in order that it perform all of its obligations under this Agreement or the other Loan

Documents and in order that the same may be valid and binding and effective in accordance with their terms and in order that the Agent and the Banks may be able freely to exercise and enforce any and all of their rights under this Agreement or the other Loan Documents.

ss.9.17 Access. Except as otherwise required by applicable law or regulation, Borrower shall and shall cause the Restricted Subsidiaries to permit the Agent or any of the Banks, by their representatives and agents, to inspect, during normal business hours, any of its properties, including, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances and accounts with, and to be advised as to the same by, its officers at such reasonable times and intervals as the Agent may designate. The Banks shall coordinate the exercise of their rights under this Section and under similar provisions of the Loan Documents with the Agent. Borrower hereby authorizes and shall cause the Restricted Subsidiaries to authorize the Agent and the Banks to disclose information obtained pursuant to this Agreement to any other participant or potential participant in the Loans made hereunder and, whenever required or requested by governmental or regulatory authorities, to such authorities.

ss.9.18 ERISA Compliance. Except for the Pension Plans and Welfare Plans specified on Schedules 6.14(a) and 6.14(b) hereto, neither Borrower nor any of the Restricted Subsidiaries will establish, assume, maintain or contribute to any employee benefit plan (as that term is defined in ss.3(3) of ERISA) to which the annual contributions would have a material adverse affect on the Borrower's or any of the Restricted Subsidiaries' business, operations or financial condition or their ability to fulfill their respective obligations under this Agreement or the other Loan Documents. Borrower shall not, and shall not permit any Restricted Subsidiary to, permit any Pension Plan or Welfare Plan to (i) engage in a "prohibited transaction" as such term is defined in ss.4975 of the Code which would result in a liability for it; (ii) incur any "accumulated funding deficiency", as such term is defined in ss.302 of ERISA, that is not waived; or (iii) be terminated in a manner which would result in the imposition of a lien or encumbrance on its assets pursuant to ss.4068 of ERISA, in each case if such actions would have a material adverse affect on the Borrower's and the Restricted Subsidiaries' business, operations or financial condition or either of their ability

to fulfill their obligations under this Agreement or the other Loan Documents.

ss.9.19 Security Interests and Liens. Borrower shall and shall cause the Restricted Subsidiaries not to create or permit to exist any mortgage, pledge, security interest or other lien or encumbrance on any of its property or assets, except for the following ("Permitted Liens"):

(i) liens and other encumbrances arising from attachments or similar proceedings, pending litigation, judgments or taxes or assessments or government charges in any such event whose validity or amount is being contested in good faith by appropriate proceedings in accordance with applicable law and for which adequate reserves have been established and are maintained in accordance with generally accepted accounting principles, or taxes and assessments the payment of which is not then required under the provisions of ss.9.15 hereof;

(ii) liens of carriers, warehousemen, mechanics and materialmen and other like liens and liens imposed by law, created in the ordinary course of business, for amounts not yet due or which are being contested in good faith by appropriate proceedings in accordance with applicable law and as to which adequate reserves or other appropriate provisions are being maintained in accordance with generally accepted accounting principles;

(iii) pledges or deposits made in connection with worker's compensation, employee benefit plans, unemployment or other insurance, old age pensions, or other Social Security benefits;

(iv) all mortgages, pledges, security interests, liens and other encumbrances in favor of the Agent;

(v) the interests of the lessees under tenant leases of real or personal property made in the ordinary course of business,

(vi) liens incurred in the ordinary course of business to secure performance of statutory obligations, leases and contracts (other than for money borrowed or for credit received in respect of property acquired) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(vii) existing security interests described on Schedule 9.19 annexed hereto;

(viii) such security interests, liens, minor defects, irregularities, encumbrances, easements, rights of way, zoning restrictions, variations from building laws and clouds on title with respect to its properties (including fixtures) or any tangible personal property of Borrower or the Restricted Subsidiaries as normally exist with respect to similar properties which do not arise in connection with the borrowing of money or for credit received and do not significantly impair the value or utility of any material portion of the property affected thereby;

(ix) security interests and liens renewing any security interest or lien listed on Schedule 9.19 which secures Indebtedness permitted by ss.9.6(e), provided that such security interest or lien is not extended to any other property;

(x) the pledge of the capital stock of the Subsidiaries of Borrower contemplated by the Original Indenture;

(xi) liens and security interests securing purchase money Indebtedness and Capitalized Leases permitted to be incurred hereunder, provided that any such lien or security interest does not extend to any property other than the personal property financed by the proceeds of such Indebtedness or that is the subject of such Capitalized Lease;

(xii) interests of purchasers of Units in such Units arising under the applicable Contract of Sale;

(xiii) liens created by a Restricted Subsidiary with respect to Permitted Indebtedness; and

(xiv) as to Restricted Subsidiaries, liens in favor of the Borrower.

ss.9.20 Distributions. Borrower will not and will not permit any Restricted Subsidiary to make any Distribution except Permitted Distributions. The following constitute Permitted Distributions:

(a) The Restricted Subsidiaries may make Distributions to Borrower, and to the other Restricted Subsidiaries at all times; and

(b) Provided no Default or Event of Default exists or would result from such Distribution, Borrower may make Distributions for the purchase, from time to time, of its common stock, par value \$.01 per share (the "Shares") to the extent permitted pursuant to ss.9.22.

ss.9.21 Investments. Borrower shall not, and shall not permit the Restricted Subsidiaries to, make any Investment in any person, including any Investment in a Subsidiary of the Borrower or Restricted Subsidiaries, except for Investments which consist of:

(a) trade or customer accounts or notes receivable arising, or other Indebtedness acquired, in the ordinary course of business;

(b) obligations issued or guaranteed as to principal and interest by the United States of America or its agencies, GNMA securities or debt issued by other agencies of the United States of America;

(c) certificates of deposit, foreign time deposits, bankers acceptances or bank money market accounts which are issued by the Agent or any other bank or savings and loan association whose short-term debt is rated either "A1" or comparable by Standard & Poor's Corporation or "P1" or comparable by Moody's Investors Service, Inc. or a comparable rating by Thompson's Bank Watch, or if such an institution is a subsidiary, then its parent corporation may have such a rating;

(d) commercial paper or finance company paper which is rated not less than prime-one or A-1 or their equivalents by Moody's Investors Service, Inc. or Standard & Poor's Corporation or their successors or Dutch auction preferred stocks rated either "AA" or comparable by Standard & Poor's Corporation or "P1" or comparable by Moody's Investors Service, Inc.,

(e) repurchase agreements secured by any one or more of the Investments permitted by paragraphs (b), (c) or (d) above;

(f) intercompany loans permitted pursuant to ss.9.6;

(g) existing Investments (other than as contemplated in paragraphs (a) through (t) hereof) as described on Schedule 9.21 hereto;

(h) mutual funds that are registered under the Investment Company Act of 1940, as amended, which have net assets of at least \$100,000,000 and at least 85% of whose underlying assets consist of bonds having a rating of not less than AAA or its equivalent by Moody's Investors Service, Inc., and/or securities of the type listed in (b), (c), (d) or (e) above, and money market accounts a majority of whose assets are composed of items described by any of the foregoing clauses (b), (c), (d) or (e) above;

(i) Investments after the Closing Date by Borrower in its Subsidiaries (other than NVRMF and its Subsidiaries and Fox Ridge) in an aggregate amount not to exceed \$1,000,000 in any fiscal year;

(j) Investments after the Closing Date by Borrower in joint venture partnerships comprised of Persons who are not Affiliates of Borrower or any of its Subsidiaries that (i) provide Borrower with a preferential right to purchase Finished Lots and (ii) limit the capital contribution of Borrower to a specified maximum amount not to exceed \$3,000,000 for any such joint venture Investment, provided, that the aggregate of all such Investments shall at no time exceed \$15,000,000;

(k) Investments by a Restricted Subsidiary in the Borrower or in other Restricted Subsidiaries:

(l) intercompany advances from Borrower to its Subsidiaries to pay payroll and other general administrative overhead expenses, subject to reimbursement of such advances in cash promptly and in any event on the fifteenth and last day of each calendar month (or next Business Day if such date is not a Business Day) provided, that the aggregate of all such intercompany advances outstanding at any time shall not exceed \$5,000,000;

(m) Lot Option Deposits made by Borrower in the ordinary course of business to the extent permitted by ss.9.32(c);

(n) advances to employees for travel and other business expenses incurred by such employees in the ordinary course of the conduct of Borrower's business;

(o) provided, in the event any amounts are Outstanding and no Default or Event of Default has occurred and remains uncured, Investments in Fox Ridge from time to time outstanding, in an amount up to \$40,000,000.00, plus the aggregate amount of dividends and return of capital received by Borrower from Fox Ridge;

(p) home sales and readily marketable mortgage loans to employees, officers and directors of Borrower and Subsidiaries in the ordinary course of business; and

(q) Provided, in the event any amounts are Outstanding, Investments in NVRMF from time to time outstanding, in an amount up to \$30,000,000.00; if, however, no amounts are Outstanding, other Investments in NVRMF from time to time outstanding, in an amount equal to (i) the amount then allowed under the New Indenture if any of the 1998 Senior Notes are outstanding; or (ii) \$50,000,000.00 if the 1998 Senior Notes are not outstanding.

ss.9.22 Shares and Repurchases. Borrower may repurchase Shares and/or Senior Notes subject to the following conditions precedent at the time of such proposed

purchase: (i) Borrower is in compliance with all the covenants set forth herein and there exist no Defaults or Events of Default which have occurred and are continuing and no Default or Event of Default occurs immediately after the repurchase; and (ii) Borrower must maintain for the month end immediately preceding the purchase of any shares and/or Senior Notes and the month end immediately succeeding such purchase \$50,000,000 in aggregate liquidity, where liquidity is defined as cash, Cash Equivalents and unused availability of the Commitments under this Agreement based upon the Borrowing Base. Borrower and its Subsidiaries shall be permanently prohibited from repurchasing any of its Shares upon a violation of this ss.9.22.

ss.9.23 Change in Terms or Prepayment of Existing Indebtedness. Borrower shall not effect or permit, and Borrower shall not permit a Restricted Subsidiary to, make any material change in the terms of, nor directly or indirectly make any payment of principal or interest on or in redemption, retirement or repurchase of any Indebtedness listed on Schedule 9.6., except for: (i) payment of principal and interest on such Indebtedness in accordance with the terms governing the same without prepayment or acceleration (ii) repayment of Cash Equivalents prior to the maturity thereof, and (iii) payments of Indebtedness by a Restricted Subsidiary to any other Restricted Subsidiary or to Borrower. In addition, Borrower shall not effect or permit any material change in the terms of, nor directly or indirectly make any payment of principal or interest on or in redemption, retirement or repurchase of the 1998 Senior Notes, except for payment of principal and interest on such Indebtedness in accordance with the terms governing the same without prepayment or acceleration. Notwithstanding the foregoing, Borrower is permitted to (i) repurchase in the open market or redeem in accordance with the terms of the Original Indenture the 1993 Senior Notes, (ii) effect changes in the Senior Notes which do not adversely effect Borrower (iii) prepay Indebtedness incurred in connection with the Borrower's office buildings in Pittsburgh, Pennsylvania and its manufacturing facilities and (iv) repurchase Senior Notes in accordance with Section 9.22. Borrower shall repay in full the indebtedness evidenced by the 1993 Senior Notes on or before December 31, 1998. Borrower shall at all times comply with the terms and conditions of the Senior Notes. The 1998 Senior Notes shall at all time remain pari passu, with the Obligations. Borrower shall not permit the execution and delivery of any

Restricted Subsidiary guaranty of the 1998 Senior Notes without the concurrent guaranty of the Obligations by such Restricted Subsidiary.

ss.9.24 Merger, Consolidation and Disposition of Assets.

(i) Borrower shall not, and shall not permit any of the Restricted Subsidiaries to, at any time merge or consolidate with or into any Person. None of Borrower or any Restricted Subsidiary shall sell or dispose of any of its assets other than in the ordinary course of its business (including, without limitation, the sale of Units, land, model unit furnishings and obsolete equipment), subject to, and in accordance with the requirements and limitations on such Unit sales provided for in this Agreement without the consent of the Majority Banks provided, however, the foregoing shall not restrict or apply to the transfer of assets from Restricted Subsidiaries to Borrower or other Restricted Subsidiaries. Borrower shall provide prior notice to Agent of any proposed sale or disposal of its or a Restricted Subsidiary's assets outside the ordinary course of business (other than dispositions from the Restricted Subsidiaries to Borrower or another Restricted Subsidiary). Consent of the Majority Banks shall be deemed given unless Agent provides a notice of disapproval to Borrower within seven (7) days of Agent's receipt of said notice;

(ii) Borrower shall not transfer any shares of stock or any beneficial interest in any Restricted Subsidiary other than to another Restricted Subsidiary.

ss.9.25 Change of Corporate Name. Borrower shall notify the Bank at least fifteen days prior to any change in the Borrower's corporate name or any other name under which Borrower conducts its business or in the location of the executive offices of Borrower.

ss.9.26 Acquisition Covenants. (a) Borrower shall not enter into or permit any Restricted Subsidiary to enter into any sale and leaseback transactions as seller-lessee or make any acquisitions without the prior written consent of the

Majority Banks and the Agent other than (i) the sale and leaseback of model units in the ordinary course of Borrower's or Fox Ridge's business consistent with past practices or as may be provided for in this Agreement; (ii) acquisitions of real estate to the extent permitted by this Agreement; (iii) capital expenditures; (iv) building materials, fixtures, supplies and all other personal property acquired by Borrower and Fox Ridge in the ordinary course of business consistent with past practices; (v) Investments and Distributions permitted pursuant to ss.ss.9.20 and 9.21; and (vi) other acquisitions in the aggregate amount of \$5,000,000 during the term hereof.

(b) Borrower and its Subsidiaries shall not permit Fox Ridge to acquire any assets outside of the normal course of its business from any person other than the Borrower and the Restricted Subsidiaries.

(c) Raw Land Acquisitions. Borrower shall not make, and shall not allow any of its Subsidiaries to make, acquisitions of raw land or lots which are not Finished Lots other than those set forth on Schedule 9.33(a).

(d) Zoning Requirements. Borrower shall not acquire, and shall not permit any of its Subsidiaries to acquire, any Finished Lot unless all proper zoning and entitlements with respect to such Finished Lot have been obtained.

(e) Environmental Matters. Borrower shall maintain, and shall cause each of the Subsidiaries to maintain, a policy of reviewing "phase I" environmental reports on each tract or group of Finished Lots prior to entering into any Lot Option Agreement with respect to such Finished Lots and, if indicated thereby, Borrower shall cause a "phase II" environmental audit to be performed on such tract or group of Finished Lots prior to entering into an option contract; provided, however, that Borrower may enter into Lot Option Agreements prior to reviewing "phase I" environmental reports if performance of such agreements is contingent upon the review and satisfaction by Borrower of such "phase I" environmental reports. If any remedial steps are recommended in such reports, such contract will not be entered into unless (i) such steps are implemented prior to entering into any such contract and (ii) the cost to Borrower and its Subsidiaries of performing such steps will not exceed \$10,000 for any tract or group of substantially contiguous Finished Lots or in excess of \$30,000 for all

such remedial performance from the date hereof. Borrower shall promptly notify the Agent and the Banks of any claims, obligations or discoveries relating to any violation or potential violation by Borrower, or any of its Subsidiaries of any Environmental Law applicable to Borrower or its Subsidiaries or any of their respective properties if such violation could create any liability, absolute or contingent, for Borrower or any of its Subsidiaries in excess of \$10,000 for any one such violation or in excess of \$30,000 for all such violations.

ss.9.27 Further Assurances. Borrower shall at any time and from time to time execute and deliver such further instruments and take such further action as may reasonably be requested by the Agent, in each case to further and more perfectly effect the purposes of this Agreement and the other Loan Documents.

ss.9.28 Maximum Commitment Amount. Borrower will not cause or permit the sum of (a) Outstanding Revolving Credit Loans and (b) the Maximum Drawing Amount, to exceed the Maximum Commitment Amount, without immediately paying down the Loans to the extent of such excess.

ss.9.29 Borrowing Base. Borrower represents, warrants and covenants as follows:

(a) Borrower is and shall be the owner of all Units and the Finished Lots upon which they are located, and shall neither create nor suffer to exist any lien or encumbrance thereon or security interest therein (other than Permitted Liens) nor sell, assign, transfer or create or suffer to exist any lien or encumbrance on or security interest in any Contract of Sale or other right constituting proceeds thereof to or in favor of any Person other than the Agent on behalf of the Banks.

(b) For the purposes of computing the Borrowing Base, Borrower shall furnish by the tenth Business Day of each month, or more frequently at Borrower's option to the Agent and the Banks information regarding the composition of the Borrowing Base, complete and accurate as of the last Business Day of the preceding month with such specificity as the Agent shall from time to time require in the form of Exhibit A hereto (the "Borrowing Base Report"), or in such other form

and substance, and at such times as may be requested by the Agent. Borrower shall further, at Borrower's sole cost and expense, have a Borrowing Base Report reviewed, at least annually, by an accounting firm of Borrower's choice. Simultaneously with the monthly delivery of each Borrowing Base Report to the Agents and the Banks, Borrower shall also deliver a certificate signed on behalf of Borrower by an authorized officer of Borrower showing the calculation of the Borrowing Base together with such other information and supporting documentation requested by the Agent.

(c) Upon the occurrence of any cancellation of a Contract of Sale, the Borrowing Base shall be reduced appropriately with the next Borrowing Base Report.

ss.9.30 Certain Environmental Matters. Borrower will, and Borrower will cause all Restricted Subsidiaries to, comply in all material respects with all requirements of any applicable federal, state and local law, license, rule, regulation, judgment, decree or order pertaining to environmental matters. The Agent may, in its discretion, from time to time, by or through any of its authorized officers, agents or professional consultants, and, upon reasonable notice to Borrower, visit, inspect and conduct tests or otherwise examine the Properties and the Borrower's records to verify compliance with such requirements to its satisfaction.

ss.9.31 Transactions with Affiliated Persons. Borrower shall not, and Borrower shall not allow the Restricted Subsidiaries to, pay or enter into any agreement to pay any fees, wages, salary, bonus, commission, contributions to benefit plans or any other compensation for goods or services to or for the benefit of any Person who is a director or officer of Borrower or who has, or any of whose Affiliates has, a beneficial interest in the capital stock of Borrower, unless such compensation is approved by a majority of the nonemployee directors then on the Borrower's Board of Directors or the Compensation Committee of Borrower's Board of Directors, as applicable. Borrower shall not, and shall not allow the Restricted Subsidiaries to, enter into any other agreement or arrangement with its directors, officers, shareholders or Affiliates (other than its wholly-owned Subsidiaries) except upon terms and conditions no more favorable than those with which it would

be willing to enter into such an agreement or arrangement with an unaffiliated third party. Agent and the Banks acknowledge and recognize that NVR Homes has entered into the Patents and Trademarks License and that the Patents and Trademarks have been transferred by NVR Homes to NVR Delaware and Borrower and its Subsidiaries have entered into a tax sharing agreement.

ss.9.32 Material Adverse Changes. Borrower shall disclose in writing to the Agent and the Banks, promptly upon becoming aware of it, any fact that materially and adversely affects, or which, in the reasonable judgment of its officers, could in the future materially and adversely affect, the financial position, assets or operations of Borrower or the Restricted Subsidiaries taken as a whole and, within five Business Days of such time as it provides such disclosure to the Agent, it shall also deliver to the Agent and the Banks, in writing its proposal for addressing such material, adverse effect. The Agent hereby agrees that the payment of license fees under the Patents and Trademarks License shall not constitute a material adverse change.

ss.9.33 Housing Covenants.

(a) Total Speculative Inventory. Until January 1, 1999, Borrower and its Subsidiaries shall not permit aggregate of Speculative Inventory for Borrower and its Subsidiaries (measured in dollars, in accordance with GAAP) to exceed at any time 35% of the Borrower's "total inventory", as such total inventory has been reported by Borrower to the Agent in connection with the Borrower's delivery of its most recent Financial Statements pursuant to ss.9.10(d) hereof. Beginning on January 1, 1999, Borrower and its Subsidiaries shall not permit aggregate of Speculative Inventory for Borrower and its Subsidiaries (measured in dollars, in accordance with GAAP) to exceed at any time 30% of the Borrower's and its Subsidiaries' "total inventory", as such total inventory has been reported by Borrower to the Agent in connection with the Borrower's delivery of its most recent Financial Statements pursuant to ss.9.10(d) hereof.

(b) Lot Option Deposits. Borrower and its Subsidiaries shall not permit Aggregate Lot Option Deposits (measured in dollars, in accordance with GAAP) to exceed at any time 100% of Tangible Net Worth.

(c) Development Activity. Borrower and its Subsidiaries shall not perform, and shall not permit any of its Subsidiaries to perform, any activities involving the development or improvement of land except (i) the construction and sale of Units in accordance with the Borrower's normal conduct of its business consistent with past practices; (ii) with respect to the projects listed on Schedule 9.33(c) hereto or (iii) development work performed by Borrower or any of its Subsidiaries on land owned by Persons other than Borrower or its Subsidiaries, solely on a fee basis and with no financial commitment on the part of Borrower or any of its Subsidiaries. Borrower hereby represents and warrants that the only projects that are the subject of land development as of the Closing Date are those set forth on Schedule 9.33(c).

(d) Preliminary Approval. Borrower and its Subsidiaries shall maintain the practice of obtaining a preliminary indication of mortgage approval prior to commencing construction on a Unit, other than with respect to Speculative Inventory.

ss.9.34 Additional Covenants Relating to Environmental Matters.

(a) Borrower shall comply with, and require each of its Subsidiaries and all partners, agents, servants and employees and each tenant and other occupant and user of any property used or owned by Borrower or its Subsidiaries (such properties, the "Applicable Properties"), and the officers, directors, shareholders, partners, agents, servants and employees of such tenants, occupants and users to comply with, each and every Environmental Law applicable to Borrower and its Subsidiaries and each such tenant, occupant or user with respect to any such property. Specifically, but without limitation,

(i) Borrower shall obtain and maintain, or require each Subsidiary, tenant, occupant and user, as appropriate, to obtain and maintain, all permits, certificates, licenses and other consents and approvals required by each Environmental Law from time to time applicable to Borrower and its Subsidiaries, each and every part of the

Applicable Properties and/or the conduct of any business thereat or related thereto;

(ii) Borrower shall not cause, and shall not permit any of its Subsidiaries to cause, any Release on or off the Applicable Properties and will not suffer or permit any Release, or the presence of a Hazardous Substance (unless such presence is in compliance with all Environmental Laws), in, on or at any of the Applicable Properties;

(iii) if Borrower or any Subsidiary causes a Release on or off any of the Applicable Properties, or if a Release occurs on any of the Applicable Properties, Borrower shall promptly effect, or shall promptly cause the person(s) who caused the Release promptly to effect, the cleanup of any resulting contamination in accordance with and as required by the provisions of all applicable Environmental Laws; and

(iv) within thirty (30) days after the date that any lien is imposed against any Applicable Properties owned by Borrower or any Subsidiary or any part thereof under any Environmental Law, Borrower shall cause such lien to be discharged or bonded or otherwise secured to the Agent's satisfaction.

(b) Notwithstanding any provision of this Agreement or any other Loan Document to the contrary, neither the execution by Borrower, nor the acceptance by the Agent, of this Agreement nor any provision of this Agreement or of any other Loan Document shall be deemed to obligate the Agent or any of the Banks to (a) cure any failure by Borrower or any Subsidiary to comply with any Environmental Law or (b) take any actions or complete any actions taken, or expend any sums, to cure any failure by Borrower, its Subsidiaries or any other Person (other than the Agent or any of the Banks) to comply with any Environmental Law; nor shall the execution by Borrower or any other Person, or the acceptance by the Agent or any of the Banks, of this Agreement and the liens and security interests provided herein, operate to place upon the Agent or any Bank any responsibility for the operation, control, care,

management or repair of any of the Applicable Properties, or any responsibility for the storage, transportation, release, removal, containment, encapsulation, remediation or other disposition of any Hazardous Substances, or make the Agent or any Bank an "owner" or an "operator" of the Applicable Properties or any part thereof within the meaning of any Environmental Laws.

(c) The provisions of this ss.9.34 shall survive any satisfaction, release, discharge or reconveyance of this Agreement or the liens and security interests granted hereunder or the payment in full of the Obligations.

ss.9.35 Patents and Trademarks License. Borrower shall not terminate the Patents and Trademarks License without the prior consent of the Agent.

ss.9.36 Restricted Subsidiaries. Borrower shall not create a Restricted Subsidiary under the New Indenture without the prior approval of the Agent.

ss.10 EVENTS OF DEFAULT; ACCELERATION; REMEDIES.

ss.10.1 Events of Default: Acceleration. If any of the following events (an "Event of Default") shall occur and be continuing:

(a) if Borrower shall fail to pay any principal of or interest on the Loans or on the Overline Advance when the same shall become due and payable, whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(b) if Borrower shall fail to pay any Letter of Credit Fee, Commitment Fee or other fees and amounts due and payable hereunder or in connection herewith within three (3) Business Days of when the same shall become due and payable whether at the stated date of maturity or any accelerated date of maturity or at any other date fixed for payment;

(c) if Borrower shall fail to comply with any of the covenants contained in ss.9.2, ss.9.3, ss.9.4, ss.9.S, ss.9.7, ss.9.8, ss.9.9, ss.9.9A, ss.9.11, ss.9.12, ss.9.19, ss.9.23,

ss.9.24, ss.9.25, ss.9.26(a), ss.9.26(b), ss.9.26(c) or ss.9.33(d) hereof;

(d) if Borrower shall fail to comply with any of the covenants contained in ss.9.20, ss.9.21, ss.9.22, ss.9.26(d), ss.9.26(e), ss.9.29, ss.9.30, ss.9.31, ss.9.32, ss.9.33(a), ss.9.33(b), ss.9.33(c) or ss.9.34 hereof, and such failure continues for 30 days with respect to any of the foregoing sections other than ss.9.33(a) and ss.9.33(b), or in the case of ss.9.33(b), such failure continues for 90 days or in the case of ss.9.33(a), such failure continues for 45 days;

(e) if Borrower shall fail to comply with any of its covenants contained in ss.9.6, ss.9.10, ss.9.14, ss.9.16, ss.9.18, ss.9.25, ss.9.27 and ss.9.28 and such failure shall continue for 5 Business Days after written notice of such failure has been given to Borrower by the Agent;

(f) if Borrower shall fail to perform any term, covenant or agreement contained herein (other than those specified in subsections (a), (b), (c), (d), (e) and (f) above) and such failure shall continue for 30 days after written notice of such failure has been given to Borrower by the Agent;

(g) if any representation or warranty of Borrower in any Loan Document or in any document or instrument delivered pursuant to or in connection with this Agreement shall prove to have been false in any material respect upon the date when made;

(h) if Borrower shall fail to make any payment or otherwise shall fail to observe or perform when due or within any applicable period of grace any term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing borrowed money in an aggregate principal amount greater than \$3,000,000 or as would permit the holder or holders thereof or of any such obligations to accelerate the maturity thereof;

(i) if Borrower shall be involved in financial difficulties as evidenced:

(i) by its commencement of a voluntary case under Title 11 of the United States Code as

from time to time in effect, or by its authorizing, by appropriate proceedings of its board of directors, managing partner or other governing body, the commencement of such a voluntary case;

(ii) by its filing an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to convert timely the material allegations of any such petition;

(iii) by the entry of an order for relief against it in any involuntary case commenced under said Title 11 or if an involuntary case is commenced against it under Title 11 and is not dismissed within 60 days;

(iv) by its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief;

(v) by entry of an order by a court of competent jurisdiction (A) finding it to be bankrupt or insolvent or (B) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of the Agent or the Borrower's creditors generally which remains undischarged and unstayed for more than thirty (30) days;

(vi) by the entry of an order by a court of competent jurisdiction assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property which remains undischarged and unstayed for more than thirty (30) days; or

(vii) by its making an assignment for the benefit of, or entering into a composition with,

its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property;

(j) if there shall remain in force, undischarged, unsatisfied, unstayed and unbonded, for more than thirty (30) days, whether or not consecutive, any final judgment against Borrower which, with other outstanding final judgments, undischarged, unsatisfied, unstayed and unbonded for more than thirty (30) days against such Person(s) exceeds \$1,000,000;

(k) if Borrower shall default in the performance of any material term, covenant or agreement contained in any Reimbursement Agreement;

(l) if Borrower, by contract or otherwise, shall relinquish control over the conduct of its business or the use or disposition of any substantial portion of its assets; or

(m) if there shall occur any default under the Senior Notes or under the Original Indenture or the New Indenture;

then, the Agent may or if directed by the Majority Banks shall by notice to Borrower terminate the Commitments under this Agreement and upon such termination the Banks and the Agent shall have no further obligation to make Loans to, or issue Letters of Credit for the account of, Borrower, and may or if directed by the Majority Banks shall declare all amounts owing with respect to this Agreement to be, and they shall thereupon forthwith mature and become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the parties hereto; provided, that in the event of any Event of Default specified in ss.10.1(i) hereof, all such amounts shall become immediately due and payable automatically and without any requirement of notice from the Agent.

ss.10.2 Remedies. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to ss.10.1, each Bank, if owed any amount with respect to the Loans, or the Agent on behalf of the Banks as provided for herein, may proceed to protect and

enforce all rights by suit in equity, action at law or other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations to such Bank are evidenced, including the obtaining of the appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of a Bank. No remedy herein conferred upon any Bank or the Agent or the holder of any Revolving Credit Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

ss.10.3 Further Rights. With respect to the obligations, Borrower assents to any extension or postponement of the time of payment or any other indulgence, and Borrower assents to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Agent may deem advisable.

ss.10.4 Proceeds of Collection or Sale. After deducting all expenses owed to the Agent in respect of this Agreement and the other Loan Documents and the exercise of its rights hereunder and thereunder as provided in ss.12 hereof, the residue of any proceeds of collection or sale of the obligations shall be applied to the payment of principal or interest on the Obligations on a pro rata basis in such order or preference as the Agent in its discretion may determine, and any excess shall be returned to Borrower or to such other person or persons as shall be lawfully entitled to receive such excess, and Borrower shall remain liable for any deficiency.

ss.10.5 Marshalling. The Agent shall not be required to marshal any future security granted by Borrower for the Obligations or any of them, or to resort to such security in any particular order; and all of its rights hereunder and in respect of such securities shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, Borrower hereby agrees that it will not invoke any law that might cause delay in or impede the enforcement of the Agent's rights under this

Agreement or under any other instrument evidencing any of the obligations or pursuant to which any of the Obligations were issued and to the fullest extent it lawfully may, Borrower irrevocably waives the benefits of all such laws.

Section 11. SETOFF. During the continuance of any Event of Default, any deposits or other sums credited by or due from any of the Banks to Borrower and any securities or other property of Borrower in the possession of such Bank, other than amounts required to be maintained by law, may be applied in accordance with applicable law to or set off against the payment of Obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of Borrower to such Bank. Each of the Banks agrees with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of Borrower to such Bank, other than Indebtedness evidenced by the Revolving Credit Notes held by such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Revolving Credit Notes held by such Bank, and (b) if such Bank shall receive from Borrower, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Revolving Credit Notes held by such Bank by proceedings against Borrower at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Revolving Credit Note or Revolving Credit Notes held by such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Revolving Credit Notes held by all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, pro tanto assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Revolving Credit Notes held by it its proportionate payment as contemplated by this Agreement; provided that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

ss.12 THE AGENT.

ss.12.1 Appointment and Authorization.

(a) Each Bank hereby irrevocably appoints and authorizes, and hereby agrees that it will require any transferee of any of its interest in the Loans and in the Revolving Credit Notes irrevocably to appoint and authorize the Agent to take such actions as its agent on its behalf and to exercise such powers hereunder as are delegated by the terms hereof, together with such powers as are reasonably incidental thereto. Neither the Agent or any of its directors, officers, employees, or agents shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

(b) The Agent is authorized to take such action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, provided that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent. The relationship between the Agent and the Banks is and shall be that of agent and principal only, and nothing contained in this Agreement or any of the other Loan Documents shall be construed to constitute the Agent as a trustee for any Bank.

ss.12.2 Employees and Agents. The Agent may exercise its powers and execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by Borrower.

ss.12.3 No Liability. Neither the Agent nor any of its shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or

therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent or such other Person, as the case may be, may be liable for losses due to its willful misconduct or gross negligence.

ss.12.4 No Representations. The Agent shall not be responsible for the execution or validity or enforceability of this Agreement, the Revolving Credit Notes or any of the other Loan Documents or for the validity, enforceability or collectability of any such amounts owing with respect to the Revolving Credit Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of Borrower or any of its Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by Borrower or any holder of any of the Revolving Credit Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial condition of Borrower. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

ss.12.5 Payments.

(a) A payment by Borrower to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees promptly to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks except as otherwise expressly provided herein or in any of the other Loan Documents.

(b) If in the opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Revolving Credit Notes or under any of the other Loan Documents might involve it

in liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction. If a court of competent jurisdiction shall adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

(c) Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (i) to make available to the Agent its pro rata share of any Loan or (ii) to comply with the provisions of ss.11 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its pro rata share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from Borrower, whether on account of outstanding Loans, unpaid reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all Outstanding Loans. The Delinquent Bank hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all Outstanding Loans. A Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans of the nondelinquent Banks, the Banks' respective pro rata shares of all Outstanding Loans have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

ss.12.6 Holders of Revolving Credit Notes. The Agent may deem and treat the payee of any Revolving Credit Note as the absolute owner or purchaser thereof for all purposes hereof until it shall have been furnished in writing with a

different name by such payee or by a subsequent holder, assignee or transferee.

ss.12.7 Indemnity. The Banks ratably agree hereby to indemnify and hold harmless the Agent from and against any and all claims, actions and suits (whether groundless or otherwise), losses, damages, costs, expenses (including any expenses for which the Agent has not been reimbursed by Borrower as required by ss.14), and liabilities of every nature and character arising out of or related to this Agreement, the Revolving Credit Notes, or any of the other Loan Documents or the transactions contemplated or evidenced hereby or thereby, or the Agent's actions taken hereunder or thereunder, except to the extent that any of the same shall be caused by the Agent's willful misconduct or gross negligence.

ss.12.8 Agent as Bank. In its individual capacity, BKG shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it, and as the holder of any of the Revolving Credit Notes as it would have were it not also the Agent.

ss.12.9 Resignation. The Agent may resign at any time by giving sixty (60) days' prior written notice thereof to the Banks and Borrower. Upon any such resignation, the Majority Banks shall have the right to appoint a successor Agent. Unless a Default or Event of Default shall have occurred and be continuing, such successor Agent shall be reasonably acceptable to Borrower. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a financial institution having a commercial paper rating of not less than A-2 or its equivalent by Standard & Poor's Corporation. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation, the provisions of this Agreement and the other Loan Documents shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

ss.12.10 Notification of Defaults and Events of Default and Material Conditions or Information. Each Bank hereby agrees that, upon learning of the existence of a Default or an Event of Default, or any material condition which differs from conditions existing as of even date, it shall promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this ss.12.10 it shall promptly notify the other Banks of the existence of such Default or Event of Default or material condition.

ss.13 YIELD PROTECTION.

ss.13.1 Unavailability. Notwithstanding anything contained herein which may be construed to the contrary, if with respect to any proposed Eurodollar Rate Advance for any Eurodollar Advance Period, the Agent determines that deposits in dollars (in the applicable amount) are not being offered to the Agent in the relevant market for such Eurodollar Advance Period, the Agent shall forthwith give notice thereof to Borrower and the Banks, whereupon until the Agent notifies Borrower that the circumstances giving rise to such situation no longer exist, the obligations of the Banks to make such types of Eurodollar Rate Advances shall be suspended.

ss.13.2 Illegality. If any applicable law, rule, or regulation, or any

change therein, or any interpretation or change in interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency, shall make it unlawful or impossible for any Bank to make, maintain, or fund its Eurodollar Rate Advances, such Bank shall so notify the Agent, and the Agent shall forthwith give notice thereof to the other Banks and Borrower. Before giving any notice to the Agent pursuant to this ss.13.2, such Bank shall designate a different lending office if such designation will avoid the need for giving such notice and will not, in the reasonable judgment of such Bank, be otherwise materially disadvantageous to such Bank. Upon receipt of such notice, notwithstanding anything contained in ss.2 hereof, Borrower shall repay in full the then outstanding principal amount of each affected Eurodollar Rate Advance of such Bank, together with accrued interest thereon, either (a) on the last day of the then current Eurodollar Advance

Period applicable to such Eurodollar Rate Advance if such Bank may lawfully continue to maintain and fund such Eurodollar Rate Advance to such day or (b) immediately if such Bank may not lawfully continue to fund and maintain such Eurodollar Rate Advance to such day; provided, however, that notwithstanding any provision contained in this Agreement to the contrary, Borrower shall not be required to compensate any Bank for any losses, including any loss or expenses incurred by reason of the liquidation, reemployment of deposits or other funds acquired to obtain the Eurodollar Rate Loan, incurred as a consequence of any required conversion of a Eurodollar Rate Loan to a Base Rate Loan as hereinafter provided, as a result of the events described in this Section. Concurrently with repaying each affected Eurodollar Rate Advance of such Bank, notwithstanding anything contained in ss.2 hereof, Borrower shall borrow a Base Rate Advance (or the other type of Eurodollar Rate Advance, if available) from such Bank, and such Bank shall make such Advance in an amount such that the outstanding principal amount of the Note held by such Bank shall equal the outstanding principal amount of such Note immediately prior to such repayment.

ss.13.3 Increased Costs.

(a) If, after the date hereof, any applicable law, rule, or regulation, or any change therein, or any interpretation or change in interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof or compliance by any Bank with any request or directive (whether or not having the any such authority, central bank, or comparable agency:

(i) Shall subject any Bank to any tax, duty, or other charge with respect to its obligation to make Eurodollar Rate Advances, or its Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Bank of the principal of or interest on its Eurodollar Rate Advances or in respect of any other amounts due under this Agreement in respect of its Eurodollar Rate Advances or its obligation to make Eurodollar Rate Advances (except for taxes imposed upon or measured by net income or alternative minimum taxable income or taxable assets in lieu of income

imposed by the United States and the jurisdiction in which such Bank's principal executive office is located); or

(ii) Shall impose, modify, or deem applicable with respect to the making, funding or maintaining any Advance hereunder, any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System, but excluding any included in an applicable Eurodollar Reserve Percentage), special deposit, capital adequacy, assessment, or other requirement or condition against assets of, deposits with or for the account of, or commitments or credit extended by any Bank, or shall impose on any Bank or the eurodollar interbank borrowing market any other condition affecting its obligation to make such Eurodollar Rate Advances or its Eurodollar Rate Advances;

and the result of any of the foregoing is to increase the cost to such Bank of making or maintaining any such Eurodollar Rate Advances, or to reduce the amount of any sum received or receivable by such Bank under this Agreement or under its Notes with respect thereto, and such increase is not given effect in the determination of the Eurodollar Rate then, on the earlier of thirty (30) days after written demand by such Bank or the Maturity Date, Borrower agrees to pay to such Bank such additional amount or amounts as such Bank determines is attributable to making, funding and maintaining its Eurodollar Rate Advances. Each Bank will promptly notify Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this ss.13.3 and will designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Bank, be otherwise materially disadvantageous to such Bank.

(b) A certificate of any Bank claiming compensation under this ss.13.3 and setting forth the additional amount or amounts to be paid to it hereunder and calculations therefor shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods. If any Bank demands compensation

under this ss.13.3, Borrower may at any time, upon at least five (5) Business Days' prior notice to such Bank, prepay in full the then outstanding affected Eurodollar Rate Advances of such Bank, together with accrued interest thereon to the date of prepayment, along with any reimbursement required under ss.2.1.5(c) hereof. Concurrently with prepaying such Eurodollar Rate Advances Borrower shall borrow a Base Rate Advance, or a Eurodollar Rate Advance not so affected, from such Bank, and such Bank shall make such Advance in an amount such that the outstanding principal amount of the Notes held by such Bank shall equal the outstanding principal amount of such Notes immediately prior to such prepayment.

ss.13.4 Effect On Other Advances. If notice has been given pursuant to ss.13.1, ss.13.2 or ss.13.3 suspending the obligation of any Bank to make any type of Eurodollar Rate Advance, or requiring Eurodollar Rate Advances of any Bank to be repaid or prepaid, then, unless and until such Bank notifies Borrower that the circumstances giving rise to such repayment no longer apply, all Advances which would otherwise be made by such Bank as to the type of Eurodollar Rate Advances affected shall, at the option of Borrower, be made instead as Base Rate Advances.

ss.13.5 Capital Adequacy. If after the date hereof, any Bank (or any Affiliate of the foregoing) shall have reasonably determined that the adoption of any applicable law, governmental rule, regulation or order regarding the capital adequacy of banks or bank holding companies, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Bank (or any Affiliate of the foregoing) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such governmental authority, central bank or comparable agency, has or would have the effect of reducing the rate of return

on such Bank's (or any Affiliate of the foregoing) capital as a consequence of such Bank's Commitment or Obligations hereunder to a level below that which it could have achieved but for such adoption, change or compliance (taking into consideration such Bank's (or any Affiliate of the foregoing) policies with respect to capital adequacy immediately before such adoption, change or compliance and

assuming that such Bank's (or any Affiliate of the foregoing) capital was fully utilized prior to such adoption, change or compliance), then, within thirty (30) days after written demand by such Bank, Borrower shall pay to such Bank such additional amounts as shall be sufficient to compensate such Bank for any such reduction actually suffered; provided, however, that there shall be no duplication of amounts paid to a Bank pursuant to this sentence and ss.13.3 hereof. A certificate of such Bank setting forth the amount to be paid to such Bank by Borrower as a result of any event referred to in this paragraph shall, absent manifest error, be conclusive.

ss.14 EXPENSES. Borrower agrees to pay (a) the reasonable costs of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) any taxes (including any interest and penalties in respect thereto) payable by the Agent or any of the Banks (other than taxes based upon the Agent's or any Bank's net income) on or with respect to the transactions contemplated by this Agreement (Borrower hereby agreeing to indemnify the Agent and each Bank with respect thereto), (c) the reasonable fees, expenses and disbursements of the Agent's legal counsel or any local counsel to the Agent incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, each closing hereunder, and amendments, modifications, approvals, consents or waivers hereto or hereunder, (d) all reasonable out-of-pocket expenses (including appraisal fees, investment banking fees and reasonable attorneys' fees and costs, which attorneys may be employees of any Bank or the Agent) incurred by any Bank or the Agent in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against Borrower or the administration thereof after the occurrence of a Default or Event of Default and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Bank's or the Agent's relationship with Borrower and (e) all reasonable fees, expenses and disbursements of any Bank or the Agent incurred in connection with UCC searches, and (f) all reasonable costs, fees and expenses incurred by the Agent in the Agent's efforts to administer and collect the Loans evidenced by this Agreement. The covenants of this ss.14 shall survive payment or satisfaction of payment of amounts owing with respect to the Revolving Credit Notes and Borrower shall be responsible for the amounts listed above,

regardless of whether the costs were incurred prior to or subsequent to the Closing Date.

ss.15 INDEMNIFICATION. Borrower agrees to indemnify and hold harmless the Agent and the Banks from and against any and all claims, actions and suits whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby including, without limitation, (a) any actual or proposed use by Borrower of the proceeds of any of the Loans, (b) Borrower entering into or performing this Agreement or any of the other Loan Documents or (c) with respect to Borrower and its properties and assets, the violation of any Environmental Law, the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release or threatened release of any Hazardous Substances or any action, suit, proceeding or investigation brought or threatened with respect to any Hazardous Substances (including, but not limited to, claims with respect to wrongful death, personal injury or damage to property), in each case including, without limitation, the reasonable fees and disbursements of counsel and allocated costs of internal counsel incurred in connection with any such investigation, litigation or other proceeding. In litigation, or the preparation therefor, the Banks and the Agent shall be entitled to select their own counsel and, in addition to the foregoing indemnity, Borrower agrees to pay promptly the reasonable fees and expenses of such counsel. If, and to the extent that the obligations of Borrower under this ss.15 are unenforceable for any reason, Borrower hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law.

ss.16 SURVIVAL OF COVENANTS, ETC. All covenants, agreements, representations and warranties made herein, in the Revolving Credit Notes, in any of the other Loan Documents or in any documents or other papers delivered by or on behalf of Borrower pursuant hereto shall be deemed to have been relied upon by the Banks and the Agent, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Banks of any of the Loans, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement or the Revolving Credit Notes or any of the other Loan Documents remains outstanding or any Bank has

any obligation to make any Loans. All statements contained in any certificate or other paper delivered to any Bank or the Agent at any time by or on behalf of Borrower pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by Borrower hereunder.

ss.17 ASSIGNMENT AND PARTICIPATION.

ss.17.1 Conditions to Assignment by Banks. Except as provided herein, each Bank may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, and the Revolving Credit Notes held by it; provided that (a) the Agent and Borrower shall have given their prior written consent to such assignment, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) each assignment shall be in an amount that is a whole multiple of \$1,000,000, (d) each Bank which is a Bank on the date hereof shall retain, free of any such assignment, an amount of its Commitment of not less than \$10,000,000 and (e) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an Assignment and Acceptance, substantially in the form of Exhibit E hereto (an "Assignment and Acceptance"), together with any Revolving Credit Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (i) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder, and (ii) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in ss.17.3, be released from its obligations under this Agreement. Notwithstanding the foregoing, BKB shall at all times during the effectiveness of this Agreement maintain a minimum commitment of \$24,000,000.

ss.17.2 Certain Representations and Warranties; Limitations; Covenants. By executing and delivering an Assignment and Acceptance, the parties thereunder confirm

and agree with each other and the other parties hereto as follows: (a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto; (b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrower and its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by Borrower or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (c) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in ss.9.10 hereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (e) such assignee represents and warrants that it is an Eligible Assignee; (f) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; (g) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank; and (h) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance.

ss.17.3 Register. The Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register or similar list (the "Register") for the

recordation of the names and addresses of the Banks and the Commitment Percentages of, and principal amount of the Loans owing to the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of \$6,000.

ss.17.4 New Revolving Credit Notes. Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment, together with each Revolving Credit Note subject to such assignment, the Agent shall (a) record the information contained therein in the Register, and (b) give prompt notice thereof to Borrower and the Banks (other than the assigning Bank). Within five (5) Business Days after receipt of such notice, Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for each surrendered Revolving Credit Note, a new Revolving Credit Note to the order of such Eligible Assignee in an amount equal to the amount assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and, if the assigning Bank has retained some portion of its obligations hereunder, a new Revolving Credit Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder. Such new Revolving Credit Notes shall provide that they are replacements for the surrendered Revolving Credit Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Revolving Credit Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned Revolving Credit Notes. Within five (5) days of issuance of any new Revolving Credit Notes pursuant to this ss.17.4, Borrower shall deliver an opinion of counsel, addressed to the Banks and the Agent, relating to the due authorization, execution and delivery of such new Revolving Credit Notes and the legality, validity and binding effect thereof, in form and substance satisfactory to the Banks. The surrendered Revolving Credit Notes shall be canceled and returned to Borrower.

ss.17.5 Disclosure. Borrower agrees that in addition to disclosures made in accordance with standard banking practices any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees and potential assignees hereunder; provided that such assignees or potential assignees shall agree (a) to treat in confidence such information, (b) not to disclose such information to a third party and (c) not to make use of such information for purposes of transactions unrelated to such contemplated assignment or participation.

ss.17.6 Miscellaneous Assignment Provisions. If any assignee Bank is not incorporated under the laws of the United States of America or any state thereof, it shall, prior to the date on which any interest or fees are payable hereunder or under any of the other Loan Documents for its account, deliver to Borrower and the Agent certification as to its exemption from deduction or withholding of any United States federal income taxes. Anything contained in this ss.17.6 to the contrary notwithstanding, any Bank may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Revolving Credit Notes) to any of the twelve Federal Reserve Banks organized under ss.4 of the Federal Reserve Act, 12 U.S.C. ss.341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

ss.17.7 Assignment by Borrower. Borrower shall not assign or transfer any of its rights or obligations under any of the Loan Documents without the prior written consent of each of the Banks.

ss.18 NOTICES, ETC. Except as otherwise expressly provided in this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the Revolving Credit Notes shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via courier or postal service, at the following address, or at such other

address as having been last furnished in writing to the person giving notice:

(a) if to Borrower:

NVR, Inc.
7601 Lewinville Road
McLean, Virginia 22102
Attn: Chief Financial Officer
Phone: (703) 761-2000
Fax: (703) 761-2030

with a copy (which shall not constitute notice) to:

Eve N. Howard, Esq.
Hogan & Hartson
Columbia Square
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Phone: (202) 637-5627
Fax: (202) 637-5910

(b) if to the Agent:

BankBoston, N.A.
115 Perimeter Center Place, N.E.
Suite 500
Atlanta, Georgia 30346
Attn: Mr. Steven P. Selbo
Phone: (770) 390-6522
Fax: (770) 390-8434

with a copy to (which shall not constitute notice) to:

Charles T. Sharbaugh, Esq.
Paul, Hastings, Janofsky & Walker LLP
Suite 2400
600 Peachtree Street, N.E.
Atlanta, Georgia 30308
Phone: (404) 815-2213
Fax: (404) 815-2424

(b) if to the Banks:

The Bank of New York
One Wall Street, 17th Floor
New York, NY 10286
Attn: Pat Dominus
Phone: (212) 635-6467
Fax: (212) 635-6468

The Bank of New York
Legal Department
One Wall Street, 15th Floor
New York, NY 10286
Attn: Richard W. Katz
Phone: (212) 635-1143
Fax: (212) 635-1698

U.S. Bank
601 Second Avenue, South
Minneapolis, MN 55402
Attn: Peter Brockelman
Phone: (612) 973-0570
Fax: (612) 973-0830

Chase Bank of Texas, N.A.
717 Travis Street, 6th Floor South
Houston, TX 77002-8091
Attn: Gabe Thornhill
Phone: (713) 216-3985
Fax: (713) 216-2082

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, overnight courier or facsimile to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer or the sending of such facsimile and (ii) if sent by registered or certified first class mail, postage prepaid, on the third Business Day following the mailing thereof.

ss.19 GOVERNING LAW. THIS AGREEMENT AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, EACH OF THE OTHER LOAN DOCUMENTS, ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SAID COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). BORROWER AGREES THAT ANY SUIT

FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON BORROWER BY MAIL AT THE ADDRESS SPECIFIED IN ss.18. BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

ss.20 HEADINGS. The captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

ss.21 SOURCE OF FUNDS. Notwithstanding the use by the Banks of the Base Rate and the Eurodollar Rate as reference rates for the determination of interest on the Loans, the Banks shall be under no obligation to obtain funds from any particular source in order to charge interest to Borrower at interest rates tied to such reference rates.

ss.22 COUNTERPARTS. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

ss.23 ENTIRE AGREEMENT, ETC. The Loan Documents and any other documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in ss.25.

ss.24 WAIVER OF JURY TRIAL. Borrower hereby waives its right to a jury trial with respect to any action or claim arising out of any dispute in connection with this Agreement, the Revolving Credit Notes or any of the other Loan Documents, any rights or obligations hereunder or thereunder or the performance of such rights and obligations. Except as prohibited by law, Borrower hereby waives any right it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any

damages other than, or in addition to, actual damages. Borrower (a) certifies that no representative, agent or attorney of any Bank or the Agent has represented, expressly or otherwise, that such Bank or the Agent would not, in the event of litigation, seek to enforce the foregoing waivers and (b) acknowledges that the Agent and the Banks have been induced to enter into this Agreement, the other Loan Documents to which it is a party by, among other things, the waivers and certifications contained herein.

ss.25 CONSENTS, AMENDMENTS, WAIVERS, ETC. Any consent or approval required or permitted by this Agreement to be given by the Banks may be given, and any term of this Agreement, the other Loan Documents or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by Borrower or any of its Subsidiaries of any terms of this Agreement, the other Loan Documents or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of Borrower and the written consent of the Majority Banks. Notwithstanding the foregoing, the rate of interest on and the term of the Revolving Credit Notes, the amount of the Commitments of the Banks, and the amount of the fees hereunder may not be changed; the definition of Majority Banks may not be amended without the written consent of all of the Banks; and the amount of the Agent's fee payable for the Agent's account and ss.12 may not be amended without the written consent of the Agent. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Agent or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon Borrower shall entitle Borrower to other or further notice or demand in similar or other circumstances.

ss.26 SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement under seal as of the date first set forth above.

Borrower: NVR, INC
By: /s/ Paul C. Saville

Name: Paul C. Saville

Title: Sr. Vice President Finance, Chief
Financial Officer & Treasurer

Agent: BANKBOSTON, N.A., Agent
By: -----
Name: -----
Title: -----

Banks: BANKBOSTON, N.A.
By: -----
Name: -----
Title: -----

CHASE BANK OF TEXAS, N.A.
By: -----
Name: -----
Title: -----

THE BANK OF NEW YORK
By: -----
Name: -----
Title: -----

U.S. BANK
By: -----
Name: -----
Title: -----

EXHIBIT A

Exhibit A	Borrowing Base Report
Exhibit B	Request for Advance
Exhibit C	The Revolving Credit Notes
Exhibit D	Reimbursement Agreement
Exhibit E	Assignment and Acceptance

SCHEDULES

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MBS PURCHASE AND SALE AGREEMENT
MORTGAGE LOAN PURCHASE AND SALE AGREEMENT

between

NVR MORTGAGE FINANCE, INC.

Seller

and

GREENWICH CAPITAL FINANCIAL PRODUCTS, INC
600 STEAMBOAT ROAD
GREENWICH, CT 06830

Purchaser

MORTGAGE LOAN PURCHASE AND SALE AGREEMENT

This is a MORTGAGE LOAN PURCHASE AND SALE AGREEMENT ("Agreement"), dated as of 7/22, 1998, between GREENWICH CAPITAL FINANCIAL PRODUCTS, INC.

("Purchaser") and NVR Mortgage Finance Inc. ("Seller").

PRELIMINARY STATEMENT

Seller desires to sell to Purchaser from time to time all of Seller's right, title and interest in and to designated pools of full amortizing first lien residential Mortgage Loans eligible in the aggregate to back Securities with the terms described in related Takeout Commitments, each in the form of a 100% ownership interest evidenced by a Participation Certificate.

Purchaser desires and may in its sole discretion purchase such Participation Certificates from Seller in accordance with the terms and conditions set forth in this Agreement. Seller, subject to the terms hereof, will cause (a) Mortgage Loans evidenced by a Participation Certificate to back a GNMA Security issued by Seller and guaranteed by GNMA, a FNMA Security issued and guaranteed by FNMA or a FHLMC Security issued and guaranteed by FHLMC and (b) Delivery of such GNMA Security, FNMA Security or FHLMC Security by GNMA, FNMA or FHLMC to Purchaser or its designee, which GNMA Security, FNMA Security or FHLMC Security will be purchased by a Takeout Investor.

Purchaser's willingness to purchase any Participation Certificate evidencing particular Mortgage Loans is based on Purchaser's expectation, in reliance upon Seller's representations and warranties herein, that such Mortgage Loans in the aggregate, constitute a pool or pools of mortgage loans that are eligible to back a Security and that the Security, in the amount and with the terms described in the related Takeout Commitment, will be issued and Purchaser will receive Delivery thereof within the time period agreed upon between Purchaser and Seller and reflected in the terms of such Participation Certificate.

The amount of the Purchase Price and the Completion Fee to be paid by Purchaser to Seller with respect to each Participation Certificate will be calculated on the expectation of Purchaser, based upon the representations and warranties of the Seller herein, that Purchaser will receive Delivery of the Security to be backed by the Mortgage Loans evidenced by the Participation Certificate purchased by Purchaser on the specified Anticipated Delivery Date and that failure to receive such Delivery will result in a material decrease in the market value of the Participation Certificate and the underlying Mortgage Loans considered as a whole. During the period from the purchase of a Participation Certificate to Delivery of the related Security, Purchaser expects to rely entirely upon Seller to service the Mortgage Loans evidenced by the applicable Participation Certificate, it being acknowledged that the continued effectiveness of Seller's Approvals during such period constitutes an essential factor in the calculation by Purchaser of the Purchase Price and the Completion Fee paid to Seller for the related Participation Certificate and that loss of such Approvals by Seller would result in a

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material decrease in the market value of the Participation Certificate and the underlying Mortgage Loans considered as a whole.

The parties hereto hereby agree as follows:

Section 1. Definitions.

Capitalized terms used but not defined herein shall have the meanings set forth in the Custodial Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Act of Insolvency": With respect to Seller, (a) the commencement by Seller as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or Seller's seeking the appointment of a receiver, trustee, custodian or similar official for Seller or any substantial part of its property, or (b) the commencement of any such case or proceeding against Seller, or another's seeking such appointment, or the filing against Seller of an application for a protective decree which (1) is consented to or not timely contested by Seller, (2) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (3) is not dismissed within thirty (30), (c) the making by Seller of a general assignment for the benefit of creditors, or (d) the admission in writing by Seller that Seller is unable to pay its debts as they become due or the nonpayment generally by Seller of its debts as they become due.

"Affiliate": With respect to any specified entity, any other entity controlling or controlled by or under common control with such specified entity. For the purposes of this definition, "control" when used with respect to any specified entity means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" having meanings correlative to the foregoing.

"Agency Guide": The FHLMC Guide, the FNMA Guide or the GNMA Guide, as applicable.

"Agency Program": The FHLMC Program, the FNMA Program or the GNMA Program, as applicable.

"Anticipated Delivery Date": With respect to a Security, the date specified in the related Form HUD 11705 (Schedule of Subscribers), Fannie Mae Form 2014 (Delivery Schedule), or FHLMC Form 939 (Settlement and Information Multiple Registration Form), as applicable, on which it is anticipated that delivery of the Security by the Applicable Agency will be made.

"Applicable Agency": GNMA, FNMA or FHLMC, as applicable.

"Approvals": With respect to the Seller, the approvals obtained by the Applicable Agency in designation of such Seller as a GNMA-approved issuer, a GNMA-approved servicer, a FHA-approved mortgagee, a VA-approved lender, a FNMA approved lender or a FHLMC-approved Seller/Servicer, as applicable, in good standing.

"Assignee": As defined in Section 7.

"Assignment of Mortgage": As defined in Section 7.

"Collateral": As defined in Section 8(c).

"Completion Fee": With respect to each Participation Certificate, an amount equal to the Final Installment plus the Net Carry Adjustment, less any reduction pursuant to Section 4(c), which amount shall be payable to Seller by Purchaser as compensation to Seller for its services in connection with the issuance of a Security.

"Confirmation": A written confirmation of Purchaser's intent to purchase a Participation Certificate, which written confirmation shall be substantially in the form attached hereto as Exhibit F.

"Custodial Account": As defined in Section 6(b).

"Custodial Agreement": The Custodial Agreement, dated of even date herewith, among Seller, Purchaser and Custodian.

"Custodian": _____ (which, under the appropriate circumstance, may include FHLMC as Custodian) and its permitted successors under the Custodial Agreement.

"Defective Mortgage Loan": With respect to a Participation Certificate, a mortgage loan that is not in Strict Compliance with the GNMA Program, FNMA Program or FHLMC Program, as applicable.

"Delivery": The later to occur of (a) the issuance of the related Security and (b) the transfer of all of the right, title and ownership interest in that Security to Purchaser.

"Discount": With respect to each Participation Certificate, the portion of the Trade Principal of the related Security agreed upon by Seller and Purchaser, as set forth in the related Confirmation, to reserve for the possibility that Seller may be unable to perform its obligations under this Agreement in accordance with their terms.

"FDIC": The Federal Deposit Insurance Corporation or any successor thereto.

"FHA": The Federal Housing Administration or any successor thereto.

"FHLMC": The Federal Home Loan Mortgage Corporation or any successor thereto.

"FHLMC as Custodian": With respect to FHLMC Participation Certificates, the circumstances in which Seller elects to appoint FHLMC (as opposed to some other third party as permitted by the FHLMC Guide) as Custodian for the FHLMC Mortgage Loans subject to the FHLMC Participation Certificates to be purchased by Purchaser hereunder.

"FHLMC Guide": The Freddie Mac Sellers' and Servicers' Guide, as such Guide may hereafter from time to time be amended.

"FHLMC Mortgage Loan": With respect to any FHLMC Participation Certificate or any FHLMC Security, a mortgage loan that is in Strict Compliance with the eligibility requirements specified for the applicable FHLMC Program described in the FHLMC Guide.

"FHLMC Participation Certificate": With respect to the FHLMC Program, a certificate, in the form of Exhibit A, issued by Seller and authenticated by Custodian, evidencing the 100% undivided ownership interest in the Mortgage Loans that are either (a) set forth on a copy of the FHLMC Form 11 (Mortgage Submission Schedule) attached to such Participation Certificate or (b) identified on a computer tape compatible with MIDANET as belonging to the mortgage loan pool described in such Participation Certificate.

"FHLMC Program": The FHLMC Home Mortgage Guarantor Program or the FHLMC FHA/VA Home Mortgage Guarantor Program, as described in the FHLMC Guide.

"FHLMC Security": A modified pass-through mortgage-backed participation certificate, evidenced by a book-entry account in a depository institution having book-entry accounts at the Federal Reserve Bank of New York, issued and guaranteed, with respect to timely payment of interest and ultimate payment of principal, by FHLMC and backed by a pool of FHLMC Mortgage Loans, in substantially the principal amount and with substantially the other terms as specified with respect to such FHLMC Security in the related Takeout Commitment, if any.

"Final Installment": The amount equal to the difference between the Trade Principal and the Initial Installment.

"FNMA" or "Fannie Mae": Federal National Mortgage Association or any successor thereto.

"FNMA Guide": The Fannie Mae MBS Selling and Servicing Guide, as such Guide may hereafter from time to time be amended.

"FNMA Mortgage Loan": With respect to any FNMA Participation Certificate or any FNMA Security, a mortgage loan that is in Strict Compliance with the eligibility requirements specified for the applicable FNMA Program described in the FNMA Guide.

"FNMA Participation Certificate": With respect to the FNMA Program, a certificate, in the form of Exhibit A, authenticated by Custodian, evidencing the 100% undivided ownership interest in the Mortgage Loans set forth on Fannie Mae Form 2005 (Schedule of Mortgages).

"FNMA Program": The FNMA Guaranteed Mortgage-Backed Securities Programs, as described in the FNMA Guide.

"FNMA Security": An ownership interest in a pool of FNMA Mortgage Loans, evidenced by a book-entry account in a depository institution having book-entry accounts at the Federal Reserve Bank of New York, in substantially the principal amount and with substantially the other terms as specified with respect to such FNMA Security in the related Takeout Commitment, if any.

"GNMA": Government National Mortgage Association or any successor thereto.

"GNMA Guide": The GNMA Mortgage-Backed Securities Guide I or II, as such Guide may hereafter from time to time be amended.

"GNMA Mortgage Loan": With respect to any GNMA Participation Certificate or any GNMA Security, a mortgage loan that is in Strict Compliance with the eligibility requirements specified for the applicable GNMA Program in the applicable GNMA Guide.

"GNMA Participation Certificate": With respect to the GNMA Program, a certificate, in the form of Exhibit A, issued by Seller and authenticated by Custodian, evidencing the 100% undivided ownership interest in the Mortgage Loans set forth on the Form HUD 11706 (Schedule of Pooled Mortgages).

"GNMA Program": The GNMA Mortgage-Backed Securities Programs, as described in a GNMA Guide.

"GNMA Security": A fully-modified pass-through, mortgage-backed certificate guaranteed by GNMA, evidenced by a book-entry account in a depository institution having book-entry accounts at Participants Trust Company and backed by a pool of GNMA Mortgage Loans, in substantially the principal amount and with substantially the other terms as specified with respect to such GNMA Security in the related Takeout Commitment, if any.

"HUD": United States Department of Housing and Urban Development or any successor thereto.

"Initial Installment": The excess of the Trade Principal over the Discount.

"Issuance Date": With respect to a Security, the first day of the month in the month when the Security is issued.

"Losses": Any and all losses, claims, damages, liabilities or expenses, including reasonable administrative expenses and attorneys' fees and expenses, incurred by any person specified; provided, however, that "Losses" shall not include any losses, claims, damages, liabilities or expenses which would have been avoided had such person taken reasonable actions to mitigate such losses, claims, damages, liabilities or expenses.

"MIDANET": The FHLMC automated system by which sellers and servicers of mortgage loans to FHLMC transfer mortgage summary and record data or mortgage accounting and servicing information from their computer system or service bureau to FHLMC, as more fully described in the FHLMC Guide.

"Mortgage": A mortgage, deed of trust or other security instrument, securing a Mortgage Note.

"Mortgage Loan": A GNMA Mortgage Loan, a FNMA Mortgage Loan or a FHLMC Mortgage Loan.

"Mortgage Note": A promissory note or other evidence of indebtedness of the obligor thereunder, evidencing a Mortgage Loan, and secured by the related Mortgage.

"Net Carry Adjustment": As defined in Section 4(b).

"OTS": Office of Thrift Supervision or any successor thereto.

"Parent Company": A corporation or other entity owning at least 50% of the outstanding shares of voting stock of Seller.

"Participation Certificate": A GNMA Participation Certificate, a FNMA Certificate or a FHLMC Participation Certificate, as applicable.

"Purchase Date": With respect to a Participation Certificate, the date on which Purchaser elects to purchase such Participation Certificate.

"Purchase Price": With respect to each Participation Certificate, the Trade the Security to be backed by the Mortgage Loans evidenced by the Participation Certificate. Such Purchase Price shall be payable (i) on the Purchase Date in an amount equal to the Initial Installment and (ii) on the Settlement Date in an amount equal to the Final Installment. Accrued interest shall be allocated in accordance with Section 4(c).

"Purchaser": Greenwich Capital Financial Products, Inc. and its successors in interest, including, but not limited to, any lender, designee or assignee to whom a Participation Certificate or a Security shall be pledged or assigned.

"Receipt": The Delivery of a Security, upon notice by Seller to Purchaser, not later than 12:00 noon, Eastern Standard Time, on the second business day prior to the applicable Settlement Date, of (a) the amount of any change in the principal amount of the Mortgage Loans backing such Security, and (b) with respect to FHLMC Securities, the FHLMC Mortgage Loan pool number applicable to such Security. If the Seller fails to so notify Purchaser, "Receipt" shall be deemed to have occurred on the later of (1) the second business day after the date on which Seller provides such notification to Purchaser and (2) the date on which Purchaser receives Delivery of the Security.

"RTC": Resolution Trust Corporation or any successor thereto.

"Security": A GNMA Security, a FNMA Security or a FHLMC Security.

"Security Issuance Deadline": The date by which the Security must be issued and delivered to the Purchaser, which, unless otherwise agreed to by the Purchaser as provided herein, shall be the Anticipated Delivery Date.

"Security Issuance Failure": Failure of the Security to be issued for any reason whatsoever on or before the Security Issuance Deadline.

"Servicing Termination Events": As defined in Section 6(e).

"Settlement Date": The date specified in a Takeout Commitment upon which the related Security is scheduled to be delivered, against payment, to the specified Takeout Investor.

"Strict Compliance": shall mean compliance of Seller and the Mortgage Loans with the requirements of the GNMA Guide, FNMA Guide or FHLMC Guide, as applicable and as amended by any agreements between Seller and the Applicable Agency, sufficient to enable Seller to issue and GNMA to guarantee or FNMA or FHLMC to issue and guarantee a Security, provided that until copies of any such agreements between Seller and the Applicable Agency have been provided to Purchaser by Seller, such agreements shall be deemed, as between Seller and Purchaser, not to amend the requirements of the GNMA Guide, FNMA Guide or FHLMC Guide, as applicable.

"Successor Servicer": An entity with the necessary Approvals, as the circumstances may require, and designated by Purchaser, in conformity with Sections 5(c)(2) or 6(e), to replace Seller as issuer and servicer, mortgagee or seller/servicer of the Mortgage Loans or the Securities related thereto.

"Takeout Commitment": A fully executed trade confirmation from the Takeout Investor to Seller confirming the details of a forward trade between the Takeout Investor and Seller with respect to one or more Securities, which trade confirmation shall be enforceable and in full force and effect, and shall be validly and effectively assigned to Purchaser pursuant to a Trade Assignment, and relate to pools of Mortgage Loans that satisfy the "good delivery standards" of the Public Securities Association as set forth in the Public Securities Association Uniform Practices Guide.

"Takeout Investor": A securities dealer or other financial institution, acceptable to Purchaser, who has made a Takeout Commitment.

"Trade Assignment": A letter substantially in the form of Exhibit B.

"Trade Price": The price (expressed as a percentage of the initial principal amount of the Security) specified in a Takeout Commitment at which a Takeout Investor is obligated to purchase the Security specified in such Takeout Commitment.

"Trade Principal": The product of the Trade Price and the initial principal amount of the related Security.

"Transaction Rate": The rate of interest borne by the related Participation Certificate, which rate or rates shall be set forth, and shall adjust as described, in the related Confirmation.

"VA": United States Department of Veterans Affairs or any successor thereto.

"Warehouse Lender": Any lender providing financing to the Seller for the purpose of originating Mortgage Loans, which has a security interest in such Mortgage Loans as collateral for the obligations of Seller to such lender.

"Wire Instructions": The wire instructions set forth opposite the name of the Warehouse Lender in a letter, in the form of Exhibit G to the Custodial Agreement, executed by Seller and Custodian, receipt of which has been acknowledged by Purchaser.

Section 2. Procedures for Purchases of Participation Certificates.

(a) Purchaser may, in its sole discretion from time to time, purchase one or more Participation Certificates from Seller. Seller, on behalf of Purchaser, shall arrange for the Delivery to Purchaser of a Security backed by the Mortgage Loans evidenced by any Participation Certificate so purchased, which Security shall be subject to a Takeout Commitment. Purchaser's obligation to purchase any Participation Certificate which Purchaser elects to purchase, shall be subject to the receipt by the Purchaser of the documents listed in Exhibit C from Seller, in form and substance satisfactory to Purchaser, and the execution of the Custodial Agreement relating to the Participation Certificate by Seller and Custodian and delivery thereof to Purchaser. Notwithstanding the satisfaction of the conditions specified in this Section 2(a), Purchaser is not obligated to purchase any Participation Certificate offered to it hereunder.

(b) If Purchaser elects to purchase any Participation Certificate, Purchaser shall pay to Seller, on the Purchase Date, the amount of the Initial Installment for such Participation Certificate. In the event that Purchaser does not transmit the Initial Installment, (i) any Participation Certificate delivered by Custodian to Purchaser in anticipation of such purchase shall automatically be null and void, (ii) Purchaser will not consummate the transactions contemplated in the applicable Trade Assignment and (iii) to the extent that Purchaser shall nevertheless receive the Security backed by the Mortgage Loans to which such Participation Certificate relates prior to its becoming null and void as provided in clause (i) above, Purchaser shall take all reasonable actions necessary to ensure that such Security shall be delivered in accordance with Seller's delivery instructions specified in Annex A.

(c) The terms and conditions of the purchase of each Participation Certificate shall be as set forth in this Agreement. Each Participation Certificate shall be deemed to incorporate, and Seller shall be deemed to make as of the applicable dates specified in Section 9, for the benefit of Purchaser and each Assignee of such Participation Certificate, the representations and warranties set forth in Section 9.

(d) Purchaser shall provide a Confirmation to Seller as soon as practicable after the Purchase Date. In the event of any conflict between the terms of a Confirmation and this Agreement, the Confirmation shall prevail.

Section 3. Takeout Commitments.

Seller hereby assigns to Purchaser, free of any security interest, lien, claim or encumbrance of any kind, Seller's rights under each Takeout Commitment to deliver the Security specified therein to the related Takeout Investor and to receive the purchase price therefor from such Takeout Investor. Subject to Purchaser's rights hereunder, Purchaser agrees that it will satisfy the Takeout Commitment on the Settlement Date specified therein. Seller understands that, as a result of this Section 3 and each Trade Assignment, Purchaser will succeed to the rights and obligations of Seller with respect to each Takeout Commitment subject to a Trade Assignment, and that in satisfying each such Takeout Commitment, Purchaser, will stand in the shoes of Seller and, consequently, will be acting as a non-dealer in exercising its rights and fulfilling its obligations assigned pursuant to this Section 3 and each Trade Assignment. Each Trade Assignment delivered by Seller to Purchaser shall be delivered by Seller in a timely manner sufficient to enable Purchaser to facilitate the settlement of the related trade on the trade date in accordance with Chapter 8 of the Public Securities Association's Uniform Practices for the Clearance and Settlement of Mortgage Backed Securities and other Related Securities, as amended from time to time.

Section 4. Completion Fee.

(a) With respect to each Participation Certificate that Purchaser elects to purchase hereunder, Purchaser shall pay to the Seller a Completion Fee. The Completion Fee shall be payable by Purchaser as provided in subsection (e) below; but in any case, such Completion Fee shall not be payable by the Purchaser less than four (4) business days after the Purchaser's election to purchase hereunder.

(b) For purposes of calculating that portion of the Completion Fee composed of the "Net Carry Adjustment", the Net Carry Adjustment shall be an amount (which may be a negative number) equal to (A) the product obtained by multiplying the number of days in the period beginning on the Purchase Date to but not including the Settlement Date for the related Security and the difference between (i) the product of the rate of interest to be borne by the related Security and the aggregate principal amount of the Mortgage Loans evidenced by a Participation Certificate and (ii) the daily application of the applicable Transaction Rate to the Initial Installment (B) divided by 360.

(c) if a Participation Certificate is purchased by Purchaser after the first day of the month in which the Settlement Date occurs, Purchaser shall also pay to Seller on the date of Receipt by Purchaser of the Security backed by the related Mortgage Loans an amount equal to the accrued interest on the related Security at the rate specified in the related Takeout Commitment from the first day of such month to and including the day immediately preceding the date Purchaser purchased such Participation Certificate. If a Participation Certificate is

Purchased by Purchaser in the month prior to the month in which the Settlement Date occurs, the Completion Fee shall be reduced by an amount equal to all interest payments which accrue on such Participation Certificate during the period from the date of purchase of such Participation Certificate through and including the last day of the month prior to the month in which such Settlement Date occurs.

(d) It is understood by Seller and Purchaser that, if Seller requests and Purchaser agrees to pay the Completion Fee prior to the Settlement Date of the related Security, the amount of such Completion Fee shall be adjusted as mutually agreed by Seller and Purchaser.

(e) The Completion Fee relating to each Participation Certificate is payable on the earlier to occur of (1) the date of receipt by Purchaser of the Trade Price and (2) the satisfaction by Seller of its obligations pursuant to this Agreement notwithstanding the exercise by Purchaser of any remedial election authorized herein.

Section 5. Issuance of Securities.

(a)(1) With respect to Mortgage Loans evidenced by a Participation Certificate which Purchaser has elected to purchase, Seller shall instruct (and, if Seller fails to instruct, then Purchaser may instruct) Custodian to deliver to the Applicable Agency, the documents listed in Exhibits B-1, B-2 or B-3 of the Custodial Agreement in respect of such Mortgage Loans, in the manner and at the time set forth in the Custodial Agreement. Seller shall thereafter promptly deliver to the Applicable Agency any and all additional documents requested by the Applicable Agency to enable the Applicable Agency to make Delivery to Purchaser of a Security backed by such Mortgage Loans on the related Anticipated Delivery Date. Seller shall not revoke such instructions to Custodian and shall not revoke its instructions to the Applicable Agency to make Delivery to Purchaser or its designee of a Security backed by such Mortgage Loans.

(a)(2) Seller shall notify Purchaser, not later than 12:00 noon, Eastern Standard Time, on the second business day prior to the applicable Settlement Date, (i) of the amount of any change in the principal amount of the Mortgage Loans backing each such Security related to such Settlement Date and (ii) with respect to FHLMC Securities, the FHLMC mortgage loan pool number applicable to each Security to which such Settlement Date relates. Upon Delivery of such Security to Purchaser or its designee, Purchaser shall cease to have any interest under such Participation Certificate in the Mortgage Loans backing such Security, notwithstanding anything to the contrary in the Participation Certificate.

(a)(3) With respect to each Participation Certificate that Purchaser elects to purchase hereunder, Purchaser shall owe to Seller a Completion Fee. Notwithstanding any provision hereof to the contrary, no amounts shall be owed by Purchaser to Seller upon issuance of such Security in the circumstances contemplated in Section 5(c)(2). Except as otherwise provided

in Section 4 and in Section 5(b), and subject to Purchaser's right of set-off set forth in Section 5(g), any Completion Fee owed by Purchaser with respect to a Participation Certificate shall be paid by Purchaser to Seller not later than the Settlement Date of the related Security.

(b) Unless Receipt of a Security backed by the Mortgage Loans evidenced by a Participation Certificate purchased hereunder has occurred by 12:00 noon, Eastern Standard Time, on the related Settlement Date, (1) the Completion Fee relating to such Participation Certificate shall be reduced daily for the period from the Settlement Date to but not including the earlier of the date of Receipt of such Security and the date of satisfaction of the obligations of Seller pursuant to the exercise by Purchaser of any remedial election authorized by this Section 5 by an amount equal to (A) the Initial Installment for such Participation Certificate multiplied by (B) the result obtained by dividing (i) the Transaction Rate for the Participation Certificate plus one percent by (ii) three hundred and sixty (360) and (2) the Completion Fee, if any, relating to such Participation Certificate shall not be payable until the end of the period specified in clause (1) of this paragraph.

(c)(1) If a breach by Seller of this Agreement results in any Mortgage Loan being a Defective Mortgage Loan at the time of the delivery of the related Participation Certificate to Purchaser, Purchaser in its sole discretion may require that Seller, upon receipt of notice from Purchaser of its exercise of such right, either (i) immediately repurchase Purchaser's ownership interest in such Defective Mortgage Loan by remitting to Purchaser the allocable amount paid by Purchaser for such Defective Mortgage Loan plus interest at the Transaction Rate on the principal amount thereof from the date of Purchaser's purchase of such Participation Certificate to the date of such repurchase together with any Losses suffered by Purchaser relating to such repurchase (including, without limitation, any Losses incurred by Purchaser resulting from adjustments to the trade required by the Takeout Investor), or (ii) deliver to Custodian a Mortgage Loan eligible to back such Security in exchange for such Defective Mortgage Loan, which newly delivered Mortgage Loan shall be in all respects acceptable to Purchaser in Purchaser's sole discretion, and such newly delivered Mortgage Loan will thereupon become one of the Mortgage Loans evidenced by the Participation Certificate. If the aggregate principal balance of any Mortgage Loans that are accepted by Purchaser pursuant to clause (ii) of the immediately preceding sentence is less than the aggregate principal balance of any Defective Mortgage Loan that is being replaced by such Mortgage Loan, Seller shall remit with such Mortgage Loan to Purchaser an amount equal to the difference between the aggregate principal balance of the new Mortgage Loan accepted by Purchaser and the aggregate principal balance of the Defective Mortgage Loan being replaced thereby.

(c)(2) If Seller fails to comply with its obligations in the manner described in Section 5(c)(1), or Seller is in breach of Section 9(a)(viii) or 9(b)(vii), not later than the third calendar day after receipt by Seller of notice from Purchaser (or if such day is not a business day, the next business day thereafter). Seller's rights and obligations to service the Mortgage Loans

evidenced by such Participation Certificate, as provided in this Agreement, shall terminate. If at any time an Act of Insolvency occurs or any of Seller's Approvals are withdrawn or materially modified, Seller's rights and obligations to service the Mortgage Loans, as provided in this Agreement, shall terminate immediately, without any notice or action by Purchaser. Upon any such termination, Purchaser is hereby authorized and empowered as the exclusive agent for Seller to sell and transfer such rights to service the Mortgage Loans for such price and on such terms and conditions as Purchaser shall reasonably determine. Seller shall not otherwise attempt to sell or transfer such rights to service without the prior consent of Purchaser. Seller shall perform all acts and take all action so that the Mortgage Loans and all files and documents relating to such Mortgage Loans held by Seller, together with all escrow amounts relating to such Mortgage Loans, are delivered to Successor Servicer. To the extent that the approval of the Applicable Agency is required for any such sale or transfer, Seller shall fully cooperate with Purchaser to obtain such approval. Upon exercise by Purchaser of its remedies under this Section 5(c)(2), Seller hereby authorizes Purchaser to receive all amounts paid by any purchaser of such rights to service the Mortgage Loans and to remit such amounts to Seller subject to Purchaser's rights of set-off under this Agreement. Upon exercise by Purchaser of its remedies under this Section 5(c)(2), Purchaser's obligation to pay and Seller's right to receive any portion of the Completion Fee relating to such Mortgage Loans shall automatically be canceled and become null and void, provided that such cancellation shall in no way relieve Seller or otherwise affect the obligation of Seller to indemnify and hold Purchaser harmless as specified in Section 5(e).

(d) Mortgage Loans required to be delivered to Successor Servicer by Section 5(c)(2) shall be delivered free of any servicing rights in favor of Seller and free of any title, interest, lien, encumbrance or claim of any kind of Seller. Seller shall deliver or cause to be delivered all files and documents relating to such Mortgage Loans held by Seller to Successor Servicer. Seller shall promptly take such actions and furnish to Purchaser such documents that Purchaser deems necessary or appropriate to enable Purchaser to obtain a Security backed by such Mortgage Loans or to enforce such Mortgage Loans, as appropriate.

(e) Seller agrees to indemnify and hold Purchaser and its assigns harmless from and against all Losses (including, without limitation, Losses incurred by Purchaser on account of fees paid by Purchaser to the Applicable Agency to cause the Securities to be issued or any Losses in connection with any indemnification by Purchaser of the Applicable Agency) resulting from or relating to any breach or failure to perform by Seller of any representation, warranty, covenant, term or condition made or to be performed by Seller under this Agreement.

(f) No exercise by Purchaser of its rights under this Section 5 shall relieve Seller of responsibility or liability for any breach of this Agreement.

(g) Seller hereby grants Purchaser a right of set-off against the payment of any amounts that may be due and payable to Purchaser from Seller, such right to be upon any and all monies or other property of Seller held or received by Purchaser or due and owing from Purchaser to Seller.

Section 6. Servicing of the Mortgage Loans.

(a) Seller and Purchaser each agrees and acknowledges that each Mortgage Loan shall be sold to Purchaser on a servicing retained basis and that Purchaser is engaging, and Purchaser does hereby engage, Seller to provide interim servicing of each Mortgage Loan for the benefit of Purchaser (and any other registered holder of the Participation Certificate) on the Purchase Date for each transaction. The Seller shall have no further servicing obligations or duties to the Purchaser under the terms of this Agreement with respect to the relevant Mortgage Loans upon issuance of the Security.

Except as expressly provided herein, Seller shall neither assign, encumber or pledge servicing (including any "excess servicing") hereunder in whole or in part, nor delegate its rights or duties under this Agreement without the prior written consent of Purchaser. The granting of such consent shall be in the sole discretion of Purchaser, the Seller hereby acknowledging that (i) Purchaser shall be entering into this Agreement in reliance upon Seller's representations as to the adequacy of its (and each subservicer's) financial standing, servicing facilities, personnel, records, procedures, reputation and integrity, and the continuance thereof; and (ii) Seller's engagement hereunder to provide mortgage servicing for the benefit of Purchaser (and any other registered holder of the Participation Certificate) is intended by the parties to be a "personal service contract" and the Seller is hereunder intended by the parties to be an "independent contractor".

(b) Seller shall service and administer the Mortgage Loans evidenced by a Participation Certificate on behalf of Purchaser in accordance with prudent mortgage loan servicing standards and procedures generally accepted in the mortgage banking industry and in accordance with the requirements of the GNMA Program, FNMA Program or FHLMC Program, as the case may be, provided that Seller shall at all times comply with applicable law, FHA regulations and VA regulations and the requirements of any private mortgage insurer so that the FHA insurance, VA guarantee or any other applicable insurance or guarantee in respect of any Mortgage Loan is not voided or reduced. Seller shall at all times maintain accurate and complete records of its servicing of the Mortgage Loans, and Purchaser may, at any time during Seller's business hours on reasonable notice, examine and make copies of such records. In addition, if Delivery of a Security is not made to Purchaser on or before the Anticipated Delivery Date, Seller shall deliver to Purchaser monthly reports regarding the status of those Mortgage Loans for which a Security has not yet been issued, which reports shall include, but shall not be limited to, a description of those Mortgage Loans in default for more than thirty (30) days, and such other circumstances with respect to any

Mortgage Loans (whether or not such Mortgage Loans are included in the foregoing list) that could materially adversely affect any of such Mortgage Loans, Purchaser's ownership of any of such Mortgage Loans or the collateral securing any of such Mortgage Loans. Seller shall deliver such a report to Purchaser every thirty (30) days until (i) Delivery of the related Security to Purchaser or (ii) the exercise by Purchaser of any remedial election pursuant to Section 5.

(c) Within five (5) business days of notice from Purchaser, Seller, as servicer, shall establish and maintain a separate custodial account (the "Custodial Account") entitled "[_____] Custodial Account, in trust for Greenwich Capital Financial Products, Inc. and its assignees under the Mortgage Loan Purchase and Sale Agreement dated [the date of this Agreement]" and shall promptly deposit into such account in the form received, with any necessary endorsements, all collections received in respect of the Mortgage Loans that are payable to Purchaser as the owner of the Mortgage Loans.

(d) Amounts deposited in the Custodial Account with respect to any Mortgage Loan shall be held in trust for Purchaser as the owner of the Mortgage Loans and shall be released only as follows:

(1) Except as otherwise provided in Section 6(d)(2), upon Delivery of the Security backed by such Mortgage Loans to Purchaser and either (i) receipt by Purchaser or its designee of the purchase price for the Security from the Takeout Investor or (ii) if earlier, on the date required by the GNMA Guide, FNMA Guide or FHLMC Guide, as the case may be, amounts deposited in the Custodial Account shall be released in accordance with Sections 4(c) and 5(a)(3). Notwithstanding the foregoing, all amounts deposited in the Custodial Account shall be paid to Seller upon the Delivery of the related Security to Purchaser if, and to the extent that, the amounts due and payable to Purchaser hereunder have been set-off against the Purchase Price for the related Participation Certificate or the Completion Fee relating to the Mortgage Loans underlying such Participation Certificate. The amounts paid to Seller (if any) pursuant to this Section 6(d)(1) shall constitute Seller's sole compensation for servicing the Mortgage Loans as provided in this Section 6.

(2) If Successor Servicer takes delivery of such Mortgage Loans either under the circumstances set forth in Section 3 or otherwise, all amounts deposited in the Custodial Account shall be paid to Purchaser promptly upon such delivery.

(3) If a Security is not issued during the month in which the related Settlement Date occurs, in any period thereafter during which Seller remains as servicer, all amounts deposited in the Custodial Account shall be released only in accordance with Purchaser's written instructions.

(e) In the event of a Security Issuance Failure, Purchaser, in its sole discretion, may terminate the Seller's rights and duties as servicer of the affected Mortgage Loans, provided that upon purchaser's election so to terminate Seller as servicer, Seller's obligations respecting transfer of servicing to a successor servicing entity shall remain in force. Without limiting Purchaser's rights to terminate Seller as servicer as provided above, Purchaser (or any other registered holder of the related Participation Certificate) shall nonetheless be entitled, by written notice to Seller to effect termination of Seller's interim servicing rights and obligations respecting the affected Mortgage Loans in the event any of the following circumstances or events ("Servicing Termination Events") occur and are continuing:

(i) any failure by the Seller to remit to Purchaser (or other registered holder of the Participation Certificate) any payment required to be made under the terms of this Agreement or such Participation Certificate which payment failure continues unremedied for a period of 2 business days, and after Seller's receipt of demand for payment from purchaser or other registered holder of the Participation Certificate; or

(ii) failure by the Seller duly to observe or perform in any material respect any of Seller's other covenants or agreements set forth in this Agreement or in the Custodial Agreement which continues unremedied for a period of 2 business days (or such longer period provided in the relevant notice to Seller) after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Seller by Purchaser; or

(iii) an Act of Insolvency with respect to the Seller or any Parent Company; or

(iv) the Seller ceases to meet the qualifications for maintaining all Approvals; or

(v) the Seller attempts to assign its right to servicing compensation hereunder or to resell an ownership interest in a Mortgage Loan in a manner inconsistent with the terms hereof, or the Seller attempts without the consent of the Purchaser to sell or otherwise dispose of all or substantially all of its property or assets or to assign this Agreement or the servicing responsibilities hereunder or to delegate its duties hereunder or any portion thereof (to other than a subservicer); or

(vi) the Seller or any of its Affiliates fails to operate or conduct its business operations or any material portion thereof in the ordinary course, or Seller experiences any other material adverse change in its business

operations or financial condition, and such event continues unremedied for more than 5 business days.

In the case of the event described in subclause (iii), immediately upon the occurrence of any such event, regardless of whether notice of such event shall have been given to or by the Purchaser or Seller, and in each and every other case, so long as the Servicing Termination Event shall not have been remedied (but only to the extent, and within the time period, of any remedy period provided above), in addition to whatever rights the Purchaser may have at law or equity to damages, including injunctive relief and specific performance, by notice in writing to the Seller, Purchaser may terminate all the interim servicing rights and obligations of the Seller under this Agreement.

Upon receipt by the Seller of such written notice, all authority and power of the Seller respecting its interim mortgage servicing rights and duties under this Agreement, shall pass to and be vested in the successor servicer appointed by Purchaser (a "Designated Servicer"). Upon written request by Purchaser, the Seller shall prepare, execute and deliver to the Designated Servicer any and all documents and other instruments, place in such successor's possession all files pertaining to such Mortgage Loans and do or cause to be done all other acts or things necessary or appropriate to effect the purposes of such notice of termination, including, but not limited to, the transfer, endorsement and assignment of the Mortgage Loans and related documents, at the Seller's sole expense.

(f) The Seller shall indemnify and hold Purchaser harmless against any and all actions, claims, liabilities or other losses resulting from or otherwise arising in connection with the failure of Seller to perform Seller's obligations (including, without limitation, any failure to perform interim servicing obligations) in Strict compliance with the terms of this Agreement.

Section 7. Transfers of Participation Certificates and Securities by Purchaser. Purchaser may, in its sole discretion and without the consent of Seller, assign all of its right, title and interest or grant a security interest in any Participation Certificate, any Mortgage Note, Mortgage and any assignment of Mortgages (an "Assignment of Mortgage"), each Security in respect thereof of which Delivery is made to Purchaser and all rights of Purchaser under this Agreement (including, but not limited to, the Custodial Account) in respect of such Participation Certificate, Mortgage Note, Mortgage, Assignment of Mortgage and such Security, to any person (an "Assignee"), subject only to an obligation on the part of the Assignee to deliver each such Security to a Takeout Investor or to Purchaser to permit Purchaser or its designee to make delivery thereof to a Takeout Investor. Assignment by Purchaser of a Participation Certificate as provided in this Section 7 will not release Purchaser from its obligations otherwise under this Agreement.

Without limitation of the foregoing, an assignment of the Participation Certificate to an Assignee, as described in this Section 7, shall be effective upon delivery of the Participation

Certificate to the Assignee or its designee, together with a duly executed Assignment substantially in the form of Exhibit E.

Section 8. Record Title to Mortgage Loans; Intent of Parties; Security Interest.

(a) From and after the issuance and delivery of the related Participation Certificate, and subject to the remedies of Purchaser in Section 5, Seller shall remain the last named payee or endorsee of each Mortgage Note and the mortgagee or assignee of record of each Mortgage, in trust for the benefit of Purchaser, for the sole purpose of facilitating the servicing of such Mortgage Loan and the issuance of a Security backed by such Mortgage Loan. Where Seller has appointed FHLMC as Custodian, the parties hereto acknowledge that the Mortgage Notes acquired hereunder have been deposited with FHLMC to facilitate the issuance of FHLMC Securities with respect thereto and that prior to such issuance FHLMC is holding such Mortgage Notes as Custodian for Purchaser.

(b) Seller shall maintain a complete set of books and records for each Mortgage Loan which shall be clearly marked to reflect the ownership interest in each Mortgage Loan of the holder of the related Participation Certificate.

(c) Purchaser and Seller confirm that the transactions contemplated herein are intended to be sales of the Mortgage Loans by Seller to Purchaser rather than borrowings secured by the Mortgage Loans. In the event, for any reason, any transaction is construed by any court or regulatory authority as a borrowing rather than as a sale, the Seller and Purchaser intend that Purchaser or its Assignee, as the case may be, shall have a perfected first priority security interest in the Participation Certificates, the Custodial Account, the Mortgage Loans subject to each Participation Certificate, all documents evidencing the Mortgage Loans, the Securities to be issued as contemplated hereunder and all proceeds thereof, the Takeout Commitments and the proceeds of any and all of the foregoing (collectively, the "Collateral"), free and clear of adverse claims. In such case, Seller shall be deemed to have hereby granted to Purchaser or its Assignee, as the case may be, a first priority security interest in and lien upon the Collateral, free and clear of adverse claims. In such event, this Agreement shall constitute a security agreement, the Custodian shall be deemed to be an independent custodian for purposes of perfection of the security interest granted to Purchaser, and Purchaser or each such Assignee shall have all of the rights of a secured party under applicable law.

Section 9. Representations and Warranties.

(a) Seller hereby represents and warrants to Purchaser as of the date hereof and as of the date of each issuance and delivery of a Participation Certificate that:

(i) All representations and warranties made and all information (including, without limitation, any financial information concerning Seller) and

documents or copies of documents furnished by Seller to Purchaser pursuant to or in connection with this Agreement are and will be true and correct at the time when made and at all times thereafter or, if limited to a specific date, as of the date to which they refer;

(ii) Seller is duly organized and validly existing under the laws of the jurisdiction of its organization, and it has qualified to do business in each jurisdiction in which it is legally required to do so. Seller has the authority under its charter and applicable law to enter into this Agreement and the Custodial Agreement and to perform all acts contemplated hereby and thereby or in connection herewith and therewith; this Agreement, the Custodial Agreement and the transactions contemplated hereby and thereby have been approved by the Board of Directors of Seller, and Seller has taken all action necessary to make this Agreement and the Custodial Agreement its valid and binding obligation enforceable in accordance with the terms hereof;

(iii) This Agreement, the Custodial Agreement and every document to be executed by Seller pursuant to this Agreement is and will be valid, binding and subsisting obligations of Seller, enforceable in accordance with their respective terms. No consents or approvals are required to be obtained by Seller or its Parent Company for the execution, delivery and performance of this Agreement or the Custodial Agreement by Seller;

(iv) The consummation of the transactions contemplated by this Agreement and the Custodial Agreement are in the ordinary course of business of Seller and will not result in the breach of any provision of the charter or by-laws of Seller or result in the breach of any provision of, or conflict with or constitute a default under or result in the acceleration of any obligation under, any agreement, indenture, loan or credit agreement or other instrument to which Seller, the Mortgage Loans or any of Seller's property is subject, or result in the violation of any law, rule, regulation, order, judgment or decree to which Seller, the Mortgage Loans, or Seller's property is subject. Without limiting the generality of the foregoing, the consummation of the transactions contemplated herein or therein will not violate any policy, regulation or guideline of the FHA or VA or result in the voiding or reduction of the FHA insurance, VA guarantee or any other insurance or guarantee in respect of any Mortgage Loan, and such insurance or guarantee is in full force and effect or shall be in full force and effect as required by the applicable GNMA Guide, FNMA Guide or FHLMC Guide;

(v) Seller has not sold, assigned, transferred, pledged or hypothecated any interest in any Participation Certificate to any person other than Purchaser, and upon delivery of a Participation Certificate to Purchaser, Purchaser will be the sole owner thereof, free and clear of any lien, claim or encumbrance;

(vi) All information relating to Seller that Seller has delivered or caused to be delivered to Purchaser, including, but not limited to, all documents related to this Agreement, the Custodial Agreement or Seller's financial statements, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein or herein in light of the circumstances under which they were made, not misleading;

(vii) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body pending or, to Seller's knowledge, threatened against or affecting Seller (or, to Seller's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Agreement, the Custodial Agreement or any agreement or instrument to which Seller is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby, would adversely affect the proceedings of Seller in connection herewith or would or could materially and adversely affect Seller's ability to carry out its obligations hereunder;

(viii) Seller has all requisite Approvals;

(ix) The Custodian is an eligible custodian under the Agency Guide and Agency Program, and is not an Affiliate of the Seller; and

(x) The Agreement and the Custodial Agreement, any other document contemplated hereby or thereby and each transaction have not been entered into fraudulently by Seller hereunder or the Custodian, or with the intent to hinder, delay or defraud any creditor or the Purchaser.

(b) Seller hereby represents and warrants to Purchaser with respect to each Mortgage Loan as of the date of the payment by Purchaser of the Purchase Price of the related Participation Certificate that:

(i) Such Mortgage Loan was, immediately prior to the sale to Purchaser of the related Participation Certificate, owned solely by Seller, is not subject to any lien, claim or encumbrance, including, without limitation, any such interest pursuant to a loan or credit agreement for warehousing mortgage loans, and was originated and serviced in accordance with all applicable law and regulations, including without limitation the Federal Truth-in-Lending Act, the Real Estate Settlement Procedures Act, regulations issued pursuant to any of the aforesaid, and any and all rules, requirements, guidelines and announcements of the Applicable Agency, and, as applicable, the FHA and VA, as the same may be amended from time to time;

(ii) The improvements on the land securing such Mortgage Loan are and will be kept insured at all times by responsible insurance companies reasonably acceptable to Purchaser against fire and extended coverage hazards under policies, binders or certificates of insurance with a standard mortgagee clause in favor of Seller and its assigns, providing that such policy may not be canceled without prior notice to Seller. Any proceeds of such insurance shall be held in trust for the benefit of Purchaser. The scope and amount of such insurance shall satisfy the rules, requirements, guidelines and announcements of the Applicable Agency, and shall in all cases be at least equal to the lesser of (A) the principal amount of such Mortgage Loan or (B) the maximum amount permitted by applicable law, and shall not be subject to reduction below such amount through the operation of a coinsurance, reduced rate contribution or similar clause;

(iii) Each Mortgage is a valid first lien on the mortgaged property and is covered by an attorney's opinion of title acceptable to GNMA, FNMA or FHLMC, as applicable, or by a policy of title insurance on a standard ALTA or similar lender's form in favor of Seller and its assigns, subject only to exceptions permitted by the GNMA, FNMA or FHLMC Program, as applicable. Seller shall hold in trust for Purchaser such policy of title insurance, and, upon request of Purchaser, shall immediately deliver such policy to Purchaser or to the Custodian on behalf of Purchaser;

(iv) To the extent applicable, such Mortgage Loan is either insured by the FHA under the National Housing Act, guaranteed by the VA under the Servicemen's Readjustment Act of 1944 or is otherwise insured or guaranteed in accordance with the requirements of the GNMA, FNMA or FHLMC Program, as applicable, and is not subject to any defect that would prevent recovery in full or in part against the FHA, VA or other insurer or guarantor, as the case may be;

(v) Such Mortgage Loan is in Strict Compliance with the requirements and specifications (including, without limitation, all representations and warranties required in respect thereof) set forth in the GNMA Guide, FNMA Guide or FHLMC Guide, as applicable;

(vi) Such Mortgage Loan conforms in all respects with all requirements of the Takeout Commitment applicable to the Security to be backed by such Mortgage Loan; and

(vii) To the extent applicable, each Mortgage Loan is being serviced by a mortgage sub-servicer having all Approvals necessary to make such Mortgage Loan eligible to back a GNMA, FNMA or FHLMC Security, as applicable.

The representations and warranties of Seller in this Section 9 are unaffected by and supersede any provision in any endorsement of any Mortgage Loan or in any assignment with respect to such Mortgage Loan to the effect that such endorsement or assignment is without recourse or without representation or warranty.

Section 10. Covenants of Seller. Seller hereby covenants and agrees with Purchaser as follows:

(a) Seller shall deliver to Purchaser:

(1) Within one hundred twenty (120) days after the end of each fiscal year of Seller, consolidated balance sheets of Seller and its consolidated subsidiaries and the related consolidated statements of income showing the financial condition of Seller and its consolidated subsidiaries as of the close of such fiscal year and the results of operations during such year, and a consolidated statement of cash flows, as of the close of such fiscal year, setting forth, in each case, in comparative form the corresponding figures for the preceding year, all the foregoing consolidated financial statements to be reported on by, and to carry the report (acceptable in form and content to Purchaser) of, an independent public accountant of national standing acceptable to Purchaser;

(2) Within sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of Seller, unaudited consolidated balance sheets and consolidated statements of income, all to be in a form acceptable to Purchaser, showing the financial condition and results of operations of Seller and its consolidated subsidiaries on a consolidated basis as of the end of each such quarter and for the then elapsed portion of the fiscal year, setting forth, in each case, in comparative form the corresponding figures for the corresponding periods of the preceding fiscal year, certified by a financial officer of Seller (acceptable to Purchaser) as presenting fairly the financial position and results of operations of Seller and its consolidated subsidiaries and as having been prepared in accordance with generally accepted accounting principles consistently applied, in each case, subject to normal year-end audit adjustments;

(3) Promptly upon receipt thereof, a copy of each other report submitted to Seller by its independent public accountants in connection with any annual, interim or special audit of Seller;

(4) Promptly upon becoming aware thereof, notice of (i) the commencement of, or any determination in, any legal, judicial or regulatory proceedings, (ii) any dispute between Seller or its Parent Company and any governmental or regulatory body, (iii) any event or condition, which, in any case of (i)

or (ii), if adversely determined, would have a material adverse effect on (A) the validity or enforceability of this Agreement, (B) the financial condition or business operations of Seller, (C) the Approvals of Seller or (D) the ability of Seller to fulfill its obligations under this Agreement or (iv) any material adverse change in the business, operations, prospects or financial condition of Seller, including, without limitation, the insolvency of Seller or its Parent Company;

(5) Promptly upon becoming available, copies of all financial statements, reports, notices and proxy statements sent by its Parent Company, Seller or any of Seller's consolidated subsidiaries in a general mailing to their respective stockholders and of all reports and other material (including copies of all registration statements under the Securities Act of 1933, as amended) filed by any of them with any securities exchange or with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of said Commission;

(6) Promptly upon becoming available, copies of any press releases issued by its Parent Company or Seller and copies of any annual and quarterly financial reports and any reports on Form H-(b)12 which its Parent Company or Seller may be required to file with the OTS or the RTC or comparable reports which a Parent Company or Seller may be required to file with the FDIC or any other federal banking agency containing such financial statements and other information concerning such Parent Company's or Seller's business and affairs as is required to be included in such reports in accordance with the rules and regulations of the OTS, the RTC, the FDIC or such other banking agency, as may be promulgated from time to time;

(7) Such supplements to the aforementioned documents and such other information regarding the operations, business, affairs and financial condition of its Parent Company, Seller or any of Seller's consolidated subsidiaries as Purchaser may request; and

(8) A copy of (i) the articles of incorporation of Seller and any amendments thereto, certified by the Secretary of State of Seller's state of incorporation, (ii) a copy of Seller's by-laws, together with any amendments thereto, (iii) a copy of the resolutions adopted by Seller's Board of Directors authorizing Seller to enter into this Agreement and the Custodial Agreement and authorizing one or more of Seller's officers to execute the documents related to this Agreement and Custodial Agreement, and (iv) a certificate of incumbency and signature of each officer of Seller executing any document in connection with this Agreement;

(b) Neither the Seller nor any affiliate thereof will acquire at any time any Participation Certificate or any other economic interest in or obligation with respect to any Mortgage Loan.

(c) Under generally accepted accounting principles ("GAAP") and for federal income tax purposes, the Seller will report each sale of a Participation Certificate to the Purchaser as a sale of the ownership interest in the Mortgage Loans evidenced by that Participation Certificate. The Seller has been advised by or has confirmed with its independent public accountants that the foregoing transactions will be so classified under GAAP.

(d) The consideration received by the Seller upon the sale of each Participation Certificate will constitute reasonably equivalent value and fair consideration for the ownership interest in the Mortgage Loans evidenced by that Participation Certificate.

(e) The Seller will be solvent at all relevant times prior to, and will not be rendered insolvent by, any sale of a Participation Certificate to the Purchaser.

(f) The Seller will not sell any Participation Certificate to the Purchaser with any intent to hinder, delay or defraud any of the Seller's creditors.

(g) Seller shall take all necessary action to maintain its Approvals at all times during the term of this Agreement. If, for any reason, Seller ceases to maintain such Approvals, Seller shall so notify Purchaser immediately.

(h) Seller will comply in all material respects with all laws, rules and regulations to which it is or may become subject.

(i) Seller shall, upon request of Purchaser, promptly execute and deliver to Purchaser all such other and further documents and instruments of transfer, conveyance and assignment, and shall take such other action as Purchaser may require more effectively to transfer, convey, assign to and vest in Purchaser and to put Purchaser in possession of the property to be transferred, conveyed, assigned and delivered hereunder and otherwise to carry out more effectively the intent of the provisions under this Agreement.

Section 11. Term. This Agreement shall continue in effect until terminated as to future transactions by written instruction signed by either Seller or Purchaser and delivered to the other, provided that no termination will affect the obligations hereunder as to any of the Participation Certificates then outstanding hereunder or any Security not yet delivered to the related Takeout Investor.

Section 12. Exclusive Benefit of Parties; Assignment. This Agreement is for the exclusive benefit of the parties hereto and their respective successors and assigns and shall not be deemed to give any legal or equitable right to any other person, including the Takeout Investor and Custodian. Except as provided in Section 7, no rights or obligations created by

this Agreement may be assigned by either party hereto without the prior written consent of the other party.

Section 13. Amendments; Waivers; Cumulative Rights. This Agreement may be amended from time to time only by written agreement of Seller and Purchaser. Any forbearance, failure or delay by Purchaser in exercising any right, power or remedy hereunder shall not be deemed to be a waiver thereof, and any single or partial exercise by Purchaser of any right, power or remedy hereunder shall not preclude the further exercise thereof. Every right, power and remedy of Purchaser shall continue in full force and effect until specifically waived by Purchaser in writing. No right, power or remedy shall be exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy, whether conferred hereby or hereafter available at law or in equity or by statute or otherwise.

Section 14. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 15. Effect of Invalidity of Provisions. In case any one or more of the provisions contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

Section 16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of laws rules.

Section 17. Notices. Any notices, consents, elections, directions and other communications given under this Agreement shall be in writing and shall be deemed to have been duly given when telecopied or delivered by overnight courier to, personally delivered to, or on the third day following the placing thereof in the mail, first class postage prepaid to, the parties hereto at the related address set forth in Annex I or to such other address as either party shall give notice to the other party pursuant to this Section. Notices to any Assignee shall be given to such address as the Assignee shall provide to Seller in writing.

Section 18. Entire Agreement. This Agreement, the Participation Certificates and the Custodial Agreement contain the entire agreement between the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements between them, oral or written, of any nature whatsoever with respect to the subject matter hereof.

Section 19. Cost of Enforcement. In addition to any other indemnity specified in this Agreement, in the event of a breach by Seller of this Agreement, the Custodial Agreement, a Participation Certificate or a Takeout Commitment, Seller agrees to pay the reasonable

attorneys fees and expenses of Purchaser and/or any Assignee incurred as a consequence of such breach.

Section 20. Consent to Service. Each party irrevocably consents to the service of process by registered or certified mail, postage prepaid, to it at its address provided pursuant to Section 17.

Section 21. Submission to Jurisdiction. With respect to any claim arising out of this Agreement each party (a) irrevocably submits to the nonexclusive, jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and (b) irrevocably waives (i) any objection which it may have at any time to the laying of venue of any suit, action or proceeding arising out of or relating hereto brought in any such court, (ii) any claim that any such suit, action or proceeding brought in any such court has been brought in any inconvenient forum and (iii) the right to object, with respect to such claim, suit, action or proceeding brought in any such court, that such court does not have jurisdiction over such party.

Section 22. Jurisdiction Not Exclusive. Nothing herein will be deemed to preclude either party hereto from bringing an action or proceeding in respect of this Agreement in any jurisdiction other than as set forth in Section 21.

Section 23. Construction. The headings in this Agreement are for convenience only and are not intended to influence its construction. References to Sections, Exhibits and Annexes in this Agreement are to the Sections of and Exhibits and Annexes to this Agreement. The Exhibits and Annexes are part of this Agreement. In this Agreement, the singular includes the plural, the plural the singular, and the words "and" and "or" are used in the conjunctive or disjunctive as the sense and circumstances may require.

IN WITNESS WHEREOF, Purchaser and Seller have duly executed this Agreement as of the date and year set forth on the cover page hereof.

GREENWICH CAPITAL FINANCIAL
PRODUCTS, INC.

By: /s/ James L. Callison

Name: JAMES L. CALLISON
Title: SENIOR VICE PRESIDENT

[_____]

By: /s/

Name:
Title:

ANNEX I

PURCHASER NOTICES

Name: Michael L. Pillari

Address: Greenwich Capital Financial Products, Inc.
600 Steamboat Avenue
Greenwich, Connecticut 06830

Telephone: (203) 625-2700

Telecopy: (203) 629-5718

SELLER NOTICES

Name:

Address:

Telephone:

Telecopy:

PARTICIPATION CERTIFICATE

POOL NO. (FHLMC CONTRACT NO.) _____

This Certificate evidences a one hundred percent (100%) undivided ownership interest in (including the right to receive the payments of principal of and interest on) the Mortgage Loans identified on the attached:

(Check Box)

- (a) Form HUD 11706 (Schedule of Pooled Mortgages);
- (b) Fannie Mae Form 2005 (Schedule of Mortgages); or
- (c) FHLMC Form 11 (Mortgage Submission Schedule) or MIDANET computer tape.

The Mortgage Loans have been sold to Purchaser pursuant to the terms of that certain Mortgage Loan Purchase and Sale Agreement, dated _____, 19 (the "Agreement") between [_____], as Seller, and GREENWICH CAPITAL FINANCIAL PRODUCTS, INC., as Purchaser. Capitalized terms used but not defined herein shall have the meanings set forth in the Agreement, the terms of which are hereby incorporated by reference and made a part of this Participation Certificate.

Upon Delivery of the related Security to Purchaser or its Assignee, Purchaser's ownership interest in the Mortgage Loans backing such Security evidenced in this Certificate shall terminate, and this Certificate shall be void and of no further effect.

This Participation Certificate may be amended only by a written agreement between Seller and Purchaser.

[SELLER]

By: _____
Its: _____
Date: _____

AGGREGATE PRINCIPAL BALANCES OF THE MORTGAGE LOANS (GIVING EFFECT TO PAYMENTS
MADE AS OF ____, 19__): \$

Hereby authenticated by [Custodian]
pursuant to the Custodial Agreement
(May not be applicable for FHLMC)

By: _____
Its: _____
Date: _____

TRADE ASSIGNMENT

_____ ("Takeout Investor")
(Address)

Attention: _____
Fax No.: _____

Dear Sirs:

Attached hereto is a correct and complete copy of your confirmation of commitment (the "Commitment"), trade-dated _____, 19____, to purchase \$_____ of ____% ____ year:

(Check Box)

- (a) Government National Mortgage Association;
- (b) Federal National Mortgage Association; or
- (c) Federal Home Loan Mortgage Corporation

mortgage-backed pass-through securities ("Securities") at a purchase price of _____ from _____ on (insert Settlement Date). Our intention is to assign \$_____ of this Commitment's full amount. This is to confirm that (i) the form of this assignment conforms to the PSA guidelines, (ii) the Commitment is in full force and effect, (iii) the Commitment has been assigned to _____ ("_____") whose acceptance of such assignment is indicated below, (iv) you will accept delivery of such Securities directly from _____, (v) you will pay _____ for such Securities, (vi) _____ is obligated to make delivery of such Securities to you in accordance with the attached Commitment and (vii) you have released Seller from its obligation to deliver the Securities to you under the Commitment. Payment will be made "delivery versus payment (DVP)" to _____ in immediately available funds.

If you have any questions, please call Mike Pillari at (203) 625-2700 immediately or contact him by fax at (203) 629-5718.

Very truly yours,

[SELLER]

By: _____
Title: _____
Date: _____

Agreed to:

[GREENWICH CAPITAL MARKETS, INC. as agent for
Greenwich Capital Financial Products, Inc.]

By: _____
Title: _____
Date: _____

Notice of delivery and confirmation of receipt are the obligations of GCFP.
Prompt notification of incorrect information or rejection of the trade
assignment should be made to Mr. Pillari.

DOCUMENT LIST

Seller shall deliver or cause to be delivered the following documents to Purchaser:

(i) the fully completed, executed and authenticated Participation Certificate together with the certifications of the Custodian provided by Sections 2 and 4 of the Custodial Agreement;

(ii) a Trade Assignment (unless Purchaser is the Takeout Investor) together with either (a) a copy of a Takeout Commitment with respect to the Security to be backed by the Mortgage Loans evidenced by such Participation Certificate or (b) a letter from Seller confirming the details of such Takeout Commitment; and

(iii) a letter from any warehouse lender, substantially in the form of Exhibit D, having a security interest in the Mortgage Loans, addressed to Purchaser, releasing any and all right, title and interest in such Mortgage Loans.

[WAREHOUSE LENDER'S RELEASE]

Greenwich Capital Financial Products, Inc.
[Address]

Gentlemen:

Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Custodial Agreement, dated as of _____, 199_, among Greenwich Capital Financial Products, Inc., [Seller] and [Custodian].

We hereby release all right, interest or claim of any kind, including any security interest or lien, with respect to the mortgage loans referenced in the attached schedule (GNMA/FNMA/FHLMC Pool/Contract # _____), such release to be effective automatically without any further action by any party, upon payment, in one or more installments, from Greenwich Capital Financial Products, Inc., in accordance with the Wire Instructions in effect on the date of such payment, in immediately available funds, of an aggregate amount equal to the product of A multiplied by B (such product being rounded to the nearest \$0.01) multiplied by C.*

Very truly yours,

[WAREHOUSE LENDER]

*A = weighted average Trade Price

B = principal amount of the Mortgage Loans backing the Security

C = 1 minus the Discount

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s) and assign(s) and transfer(s) unto

(Please print or typewrite name and address, including postal zip code of assignee)

an undivided Participation Interest Equal to ____% of the Mortgage Loans evidenced by the within Participation Certificate, Pool No. (FHLMC Contract No.) _____, Pass-Through Rate _____, Discount _____ and hereby authorize(s) the transfer of registration of such interest to assignee.

[Assignor]

Dated: _____ By: _____ Title: _____

FORM OF CONFIRMATION

TO: [SELLER], [ADDRESS OF SELLER]

DATE:

RE: Confirmation of Purchase of Mortgage Loans
evidenced by a Participation Certificate

Greenwich Capital Financial Products, Inc. ("Purchaser") is pleased to confirm its agreement to purchase and your agreement to sell the Mortgage Loans evidenced by a Participation Certificate relating to the pool number (or Freddie Mac Contract Number) referred to herein, pursuant to the Mortgage Loan Purchase and Sale Agreement, dated as of _____, __, 199_ (the "Mortgage Loan Purchase and Sale Agreement"), between Purchaser and Seller, under the following terms and conditions.

Pool No. (or FHLMC Contract No.) _____
Applicable Agency _____
Purchase Date _____
Anticipated Delivery Date _____
Settlement Date _____
Discount _____
Purchase Price:
- Initial Installment _____
- Final Installment _____

Transaction Rate:
- From (and including) Purchase Date
to (but excluding) Issuance Date _____
- From (and including) Issue Date
to (but excluding) Settlement Date _____
Face Amount of the Security _____

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed in the Mortgage Loan Purchase and Sale Agreement.

Very truly yours,

GREENWICH CAPITAL FINANCIAL
PRODUCTS, INC.

By: _____
Name: _____
Title: _____

SELLER'S DELIVERY INSTRUCTIONS

(1) In the case of certificated Securities, Purchaser will pick up the Securities upon receipt of notification of issuance from Seller and promptly deliver such Securities in negotiable form to:

(2) In the case of book-entry Securities, upon receipt by Purchaser of such Securities, Purchaser will wire the Securities to:

NVR, INC.
 Computation of Earnings Per Share
 (amounts in thousands, except per Share amounts)

	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
1. Net income	\$56,706 =====	\$28,879 =====	\$25,781 =====
2. Average number of Shares outstanding	11,131	11,839	14,621
3. Shares issuable upon exercise of dilutive options, warrants and subscriptions outstanding during period, based on average market price	2,169 -----	1,406 -----	516 -----
4. Average number of Shares and Share equivalents outstanding (2 + 3)	13,300 =====	13,245 =====	15,137 =====
5. Basic earnings per share (1/2)	\$ 5.10 =====	\$ 2.44 =====	\$ 1.76 =====
6. Diluted earnings per share (1/4)	\$ 4.26 =====	\$ 2.18 =====	\$ 1.70 =====

NVR, INC. SUBSIDIARIES

NAME OF SUBSIDIARY -----	STATE OF ----- INCORPORATION OR ----- ORGANIZATION -----
NVR Mortgage Finance, Inc. NVR Settlement Services, Inc. Ryan Mortgage Acceptance Corporation IV RVN, Inc. Fox Ridge Homes, Inc.	Virginia Pennsylvania Delaware Delaware Tennessee

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
NVR, Inc.:

We consent to incorporation by reference in the registration statement (No. 33-69754) on Form S-8 (for the NVR, Inc. Directors' Long-Term Incentive Plan), the registration statement (No. 33-69756) on Form S-8 (for the NVR, Inc. Management Equity Incentive Plan), the registration statement (No. 33-69758) on Form S-8 (for the NVR, Inc. Equity Purchase Plan), the registration statement (No. 33-87478) on Form S-8 (for the NVR, Inc. 1994 Management Equity Incentive Plan), the registration statement (No. 333-04975) on Form S-8 (for the NVR, Inc. Management Long-Term Stock Option Plan), the registration statement (No. 333-04989) on Form S-8 (for the NVR, Inc. Directors' Long-Term Stock Option Plan), the registration statement (No. 33-69436) on Form S-3, the registration statement (No. 333-44515) on Form S-3 (for a universal shelf registration for senior or subordinated debt in an amount up to \$400 million), and the amended registration statement (No. 333-44515) on Form S-3A (for a universal shelf registration for senior or subordinated debt in an amount up to \$400 million) of our reports on the consolidated balance sheets of NVR, Inc. and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three year period ended December 31, 1998, included herein.

KPMG LLP

Pittsburgh, Pennsylvania
March 15, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED NVR, INC.'S CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000906163
NVR, INC.
1,000
U.S. DOLLARS

YEAR	DEC-31-1998	JAN-01-1998	DEC-31-1998
	1		68,504
		0	
	1,515		0
		288,638	
	0		17,597
		0	
	724,359		
	0		145,000
		0	
		174,375	
		(8,656)	
724,359			1,504,744
	1,559,816		
			1,273,815
	1,417,166		
	8,635		
		0	
	23,648		
	110,367		
		44,260	
	(9,401)		
		0	
		0	
			0
	56,706		
	5.10		
	4.26		

ITEM REPRESENTS THE NON-CASH AMORTIZATION OF EXCESS REORGANIZATION VALUE AND GOODWILL.