

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 4, 2005

**NVR, Inc.**

(Exact name of registrant as specified in its charter)

**VIRGINIA**  
(State or other jurisdiction  
of incorporation)

**1-12378**  
(Commission File Number)

**54-1394360**  
(IRS Employer  
Identification Number)

**7601 Lewinsville Road,  
Suite 300  
McLean, Virginia**  
(Address of principal executive offices)

**22102**  
(Zip Code)

**Registrant's telephone number, including area code: (703) 761-2000**

**Not applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions :

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01 Entry Into a Material Definitive Agreement**

At the annual meeting of shareholders of NVR, Inc. (the "Company") held on May 4, 2005, the Company's shareholders approved the NVR, Inc. 2005 Stock Option Plan (the "Plan"). The Company's board of directors unanimously approved the Plan on February 24, 2005, subject to shareholder approval.

Under the Plan, which will be administered by the compensation committee of the Company's board of directors, awards of non-qualified stock options ("Options") to purchase up to 500,000 shares of our common stock may be granted to our key management employees, including our executive officers. Only employees of the Company or any subsidiary thereof are eligible to receive Options.

All Options granted under the Plan are subject to significant vesting conditions, including the satisfaction of performance targets based on growth in earnings per share. Additionally, the Options will not commence vesting until 2010, with the first twenty-five percent (25%) installment vesting on December 31, 2010 and subsequent installments vesting on December 31, 2011, 2012 and 2013, respectively. Shareholder approval is required for any material amendment to the Plan, including any changes to the performance targets based on earnings per share (other than proportionate adjustments by the Company's board of directors to reflect events such as stock splits), any repricings of Options and any acceleration of vesting of outstanding Options, other than upon a "change in control" of the Company. The Plan does not include "evergreen" or "reload" provisions.

The foregoing description of certain terms and conditions of the Plan is qualified in its entirety by reference to the full text of the Plan, which is filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference in its entirety.

**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	NVR, Inc. 2005 Stock Option Plan
10.2	Form of Non-Qualified Stock Option Agreement under the Plan

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NVR, Inc.

/s/ Paul C. Saville

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Paul C. Saville  
Executive Vice President and Chief Financial Officer

Date: May 10, 2005

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## Exhibit Index

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## NVR, INC.

## 2005 STOCK OPTION PLAN

**1. PURPOSE.**

This 2005 Stock Option Plan (the "Plan") is intended and is being adopted to provide an incentive to certain employees of NVR, Inc. (the "Corporation") and any corporation controlling, controlled by or under common control with the Corporation (the "Affiliates") (a) to encourage them to remain in the employ or service of the Corporation and its Affiliates, (b) to promote the continued profitability and growth of the Corporation and (c) to enable and assist managers to acquire and hold shares of voting common stock of the Corporation ("Shares") in accordance with Corporation guidelines for ownership of Shares by managers. Options granted under the Plan are not intended to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended (the "Code").

**2. SHARES SUBJECT TO THE PLAN.**

The aggregate number of Shares which may be covered by stock options ("Options") granted pursuant to the Plan is 500,000 Shares, subject to adjustment under Section 12. Shares covered by Options that expire unexercised shall again be available for grant under the Plan.

**3. ELIGIBILITY.**

Options may be granted under the Plan to such employees of the Corporation or any Affiliate as the Corporation's Compensation Committee (the "Committee") of the Board of Directors (the "Board") shall determine and designate from time to time prior to expiration or termination of the Plan; provided, that: (i) no individual may receive an Option for greater than 50,000 Shares under the Plan and (ii) no more than 125,000 Shares may be covered by Options granted under the Plan to Senior Management. "Senior Management" are the specific individuals who currently hold the title of the Corporation's Chairman of the Board, Chief Executive Officer and President; Executive Vice President, Treasurer and Chief Financial Officer; Senior Vice President and Controller; or President of NVR Mortgage Finance, Inc. Employees who receive Option grants under the Plan are referred to as "Participants." An individual may hold more than one Option, subject to such restrictions as are provided herein. Both the individual limit on Options granted under the Plan and the limit on the total number of Options granted to Senior Management are subject to adjustment under Section 12.

#### **4. ADMINISTRATION.**

This Plan will be administered by the Committee in accordance with the following provisions:

(a) Except as may be otherwise determined by the Committee, the following procedures will be followed with respect to the granting of all Options under this Plan:

(i) All Options will be granted in writing and on a form of "Grant" approved for that purpose by the Committee. The date on which the Committee approves the grant of an Option shall be considered the date on which such Option is granted. The Committee may delegate, from time to time, authority to the Chief Executive Officer and the Senior Vice President of Human Resources, jointly, to approve option grants to Participants other than Senior Management.

(ii) The Corporation and the optionee will enter into an Option Agreement which will incorporate the terms of the Grant and such other provisions as may be included pursuant to Section 15 of this Plan.

(b) The interpretation and construction by the Committee of any of the provisions of this Plan or of any Option granted under this Plan, together with the actions of the Committee in the granting of Options as provided in this Plan, will be final and conclusive unless otherwise specifically provided in writing by the Board.

#### **5. EFFECTIVE DATE AND TERM OF THE PLAN.**

(a) The Plan shall become effective as of the date of the Plan's approval by the Corporation's stockholders (the "Effective Date"), which is evidenced by a majority of the votes cast in favor of adopting the Plan at a duly held meeting of the stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the matter, or by written consent in accordance with applicable state law and the Certificate of Incorporation and Bylaws of the Corporation.

(b) The Plan shall terminate on the date ten years after the Effective Date, unless earlier terminated by the Board. In addition, the Plan shall terminate as of December 31, 2008 if the Corporation does not meet the EPS Target

(as defined in Section 8(f)). A termination of the Plan by the Board shall not impair any rights or obligations under any Option theretofore granted to a Participant under this Plan.

#### **6. OPTION PRICES.**

The purchase price for Shares covered by each Option under the Plan (the "Option Price") shall be equal to the Fair Market Value of such Shares on the date of grant. For purposes of this section, "Fair Market Value" means the value of each Share subject to the Plan determined as follows: If on the date of grant of the Option or other determination date the Shares are listed on an established national or regional stock exchange, are admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or otherwise are publicly traded on an established securities market, the Fair Market Value of the Shares shall be the closing price of the Shares on such exchange or in such market (the New York Stock Exchange if there is more than one such exchange or market) on the trading day immediately preceding the date of grant or other determination date (or, if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day), or, if no sale of the Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be determined by the Committee in good faith.

#### **7. OPTION PERIOD.**

Each Option shall be granted for a period of ten (10) years, or such lesser period as the Committee determines at the time of grant, from the date of grant.

#### **8. EXERCISE OF THE OPTIONS.**

(a) Subject to Section 13 below, Options granted under the Plan shall become exercisable according to the following schedule:

1. No Option shall become exercisable unless the Corporation meets the EPS Target (as defined in Section 8(f) below). If the EPS Target has not been met as of December 31, 2008, all Options granted under the Plan shall immediately terminate.
2. If the EPS Target is met, Options shall become exercisable at a rate of 25% per year on December 31 of each year,

commencing in the fifth year after the date of grant. For the avoidance of doubt and by way of example, this means that an Option granted on July 1, 2005 would become exercisable with regard to 25% of the shares on each of December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, assuming the EPS Target is satisfied as of December 31, 2008 and that the Option otherwise remains outstanding. A Participant must be an employee of the Corporation or an Affiliate as of the end of the business day on a December 31<sup>st</sup> vesting date in order to be entitled to additional vesting. For the avoidance of doubt and by way of example, if additional vesting occurs on December 31, 2010, the Options additionally vested on that date could not be exercised until the first business day of 2011, at which time the Participant would not necessarily have to be an employee of the Corporation or Affiliate, subject to paragraphs (b) through (e) below.

(b) An Option shall terminate immediately and may no longer be exercised if the optionee ceases to be an employee of the Corporation or any of its Affiliates as a result of a termination for "Cause." A termination shall be for "Cause" in the event the Participant ceases to be an employee of the Corporation, or any of its Affiliates, if the termination is a result of (i) conviction of a felony or other crime involving moral turpitude; (ii) gross misconduct in connection with the performance of such Participant's duties including a breach of such Participant's fiduciary duty of loyalty; (iii) a willful violation of any criminal law involving a felony, including federal or state securities laws; or (iv) a material breach (following notice and an opportunity to cure) of any covenant by the Participant contained in any agreement between the Participant and the Corporation or any of its Affiliates.

(c) In the event of a termination of employment resulting from the optionee's involuntary termination without "Cause," death, disability or retirement at normal retirement age that occurs after the EPS Target has been met, the Option shall become exercisable at the date of termination for an additional pro rata portion (based on the number of full months of the current year that have elapsed prior to the termination) of the previously nonexercisable portion of the Option which would have been eligible to be exercised at the end of the year in which such termination occurs and the optionee (or his personal representative) may at any time within a period of three months (one year in the case of termination due to death or disability) after such termination exercise such Option, but only to the extent that the Option was exercisable on the date of employment termination (including any pro rata increase in exercisability for the year of termination). Such Option will terminate at the end of such three-month (one year in the case of termination due to death or disability) period. Notwithstanding the foregoing, an Option may not be exercised after the expiration date of the Option.



(d) In the event of a voluntary termination of employment, an optionee may at any time within a period of three months after such termination exercise any outstanding Option, but only to the extent that the Option was exercisable on the date of employment termination. Such Option will terminate at the end of such three-month period. Notwithstanding the foregoing, an Option may not be exercised after the expiration date of the Option.

(e) An Option may be exercised to the extent that Shares have become exercisable and vested under the Option, in whole or in part, from time to time, and at any time prior to expiration or termination of the Option, by making full payment of the Option Price to the Corporation in any one or more of the following ways:

(i) in immediately available funds acceptable to the Committee;

(ii) by the assignment and delivery to the Corporation or the Affiliate which employs the optionee (or any other Affiliate designated by the Corporation) of Shares which are not subject to restriction, are owned by the optionee free and clear of all liens and encumbrances and have a fair market value (as determined by the closing price on the national securities exchange on which the Shares are listed on the day preceding the day of exercise or by any other method acceptable to the Committee in its absolute discretion) equal to the applicable Option Price less any portion thereof paid in immediately available funds provided, however, that the Shares surrendered in payment must have been held by the optionee for more than six months at the time of surrender;

(iii) if so authorized in the Option agreement, a Corporation-sponsored broker-assisted cashless exercise (but only if the Participant is not a member of Senior Management); and/or

(iv) any other legal method of payment acceptable to the Compensation Committee.

(v) Tax withholding must be paid in immediately available funds to the Corporation at the time of exercise. Shares are not accepted for payment for tax withholding.

(f) "EPS Target" means \$339.00. The Corporation will be deemed to have met the EPS Target if the Corporation's cumulative earnings per share is at least \$339.00 per share (as adjusted by the Board in its reasonable discretion for reorganizations, recapitalizations, splits, reverse splits, combinations of Shares, mergers, consolidations, sales of assets or other similar events occurring after the Effective Date) for the years 2005, 2006, 2007 and 2008. For the avoidance of doubt, cumulative earnings per share

means the sum of the earnings per share for each year (determined in accordance with the generally accepted accounting principles for U.S. companies as then in effect for each such year, with no retroactive adjustments for rules becoming effective in future years), and shall be determined as of December 31, 2008.

#### **9. NONTRANSFERABILITY OF OPTIONS.**

An Option granted under this Plan may not be transferred except by will or the laws of descent and distribution and may be exercised during the optionee's lifetime only by the optionee (or in the case of disability, his personal representative), and shall not be pledged or hypothecated (by operation of law or otherwise) or subject to execution, attachment or similar processes.

#### **10. RIGHTS AS A HOLDER OF SHARES.**

An optionee or a transferee of an Option shall have no rights as a stockholder with respect to any Shares covered by his Option until the date on which payment is made by him, and accepted by the Corporation, for such Shares. No adjustment shall be made for distributions for which the record date is prior to the date such payment is made and accepted.

#### **11. REQUIREMENTS OF LAW**

(a) The Corporation shall not be required to sell or issue any Shares under any Option if the sale or issuance of such shares would constitute a violation by the optionee, any other individual exercising an Option, or the Corporation of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Corporation shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Option upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no Shares may be issued or sold to the optionee or any other individual exercising an Option pursuant to such Option unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation, and any delay caused thereby shall in no way affect the date of termination of the Option. Specifically, in connection with the Securities Act, upon the exercise of any Option, unless a registration statement under such Act is in effect with respect to the Shares covered by such Option, the Corporation shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the optionee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the

Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Corporation may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Corporation shall not be obligated to take any affirmative action in order to cause the exercise of an Option to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the Shares covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

(b) During any time when the Corporation has a class of equity security registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), it is the intent of the Corporation that the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

## **12. ADJUSTMENTS UPON CHANGES IN SHARES.**

(a) In the event that a distribution shall be declared upon the Shares payable in Shares, the number of Shares then subject to any Option and the number of Shares available for issuance pursuant to this Plan but not yet covered by an Option shall be adjusted by adding to each such number the number of Shares which would have been distributable thereon if such number of Shares had been outstanding on the date fixed for determining the shareholders entitled to receive such distribution.

(b) In the event that the outstanding Shares shall be changed into or exchanged for a different number or kind of Shares or shares of stock or other securities of the Corporation or of another entity, whether through reorganization, recapitalization, split, reverse split, combination of Shares, merger, consolidation, sale of assets or otherwise, then there shall be substituted for each Share subject to any Option and for each Share available for issuance pursuant to the Plan but not yet covered by an Option the number and kind of Shares or shares of stock or other securities into which each outstanding Share shall be so changed or for which each such Share shall be exchanged. The individual limit on Option grants and the limit on the total number of Option grants to Senior Management in Section 3 shall also be adjusted to reflect such change in Shares.

(c) In the case of any such substitution or adjustment as provided for in this Section 12, the Option Price in each Option Agreement for each Share covered thereby prior to such substitution or adjustment will be the Option Price for all Shares, shares of stock or other securities which shall have been substituted for such Share or to which such Share shall have been adjusted pursuant to this Paragraph.

(d) The Board may also make adjustments to outstanding Options in the event of any payment of a dividend to stockholders other than a normal cash dividend. In determining adjustments to be made under this Section 12, the Board may take into account such factors as it deems appropriate, including (i) the restrictions of applicable law, (ii) the potential tax consequences of an adjustment and (iii) the possibility that some Participants might receive an adjustment and a distribution or other unintended benefit, and in light of such factors or circumstances may make adjustments that are not uniform or proportionate among outstanding Options or make other equitable adjustments. Any such adjustments to outstanding Options will be effected in a manner that precludes the enlargement of rights and benefits under such Options.

(e) Adjustments pursuant to this Section 12, if any, and any determinations or interpretations, including any determination of whether a dividend is other than a normal cash dividend, made by the Board shall be final, binding and conclusive. No adjustment or substitution provided for in this Section 12 shall require the Corporation in any Option Agreement to sell a fractional Share, and the total substitution or adjustment with respect to each Option Agreement shall be limited to whole Shares (rounding to the nearest whole number).

### **13. CHANGE OF CONTROL; SALE OF ASSETS/STOCK.**

Upon the dissolution or liquidation of the Corporation or upon a Change of Control, all Options shall fully vest and be exercisable without regard to whether or not the EPS Target has been met. In the event of any such Change of Control or dissolution or liquidation (a "Transaction"), each individual holding an Option shall have the right, immediately prior to the occurrence of such Transaction, to exercise such Option in whole or in part, whether or not such Option was otherwise exercisable at the time such Transaction occurs and without regard to any installment limitation on exercise imposed pursuant to Section 8 above but subject to Section 15 below. The Committee shall send written notice of an event that will result in such an exercise period to all individuals who hold Options not later than the time at which the Corporation gives notice thereof to its stockholders.

For purposes of the Plan, "Change of Control" means:

(i) a merger, consolidation, reorganization or other business combination of the Corporation with one or more other entities in which the Corporation is not the surviving entity;

(ii) a sale of substantially all of the assets of the Corporation to another entity; or

(iii) any transaction (including, without limitation, a merger or reorganization in which the Corporation is the surviving entity) which results in any person or entity (or persons or entities acting as a group or otherwise in concert) owning 20 percent or more of the common stock of the Corporation.

Notwithstanding (iii) above, a Change of Control shall not occur if any director, officer or employee owns 20 percent or more of the Shares, or acquires the right to purchase Shares which if such right were exercised would result in the ownership of 20 percent or more of the Shares, as a result of:

(a) the exercise of options or the grant or vesting of equity-based awards under any incentive plan of the Corporation;

(b) the purchase of Shares directly by the director, officer or employee of the Corporation; or

(c) the implementation of a Share repurchase program by the Corporation.

#### **14. USE OF PROCEEDS.**

Proceeds from the sale of Shares pursuant to Options granted under this Plan shall constitute general funds of the Corporation or Affiliate, as the case may be.

#### **15. OTHER PROVISIONS.**

The Grants to be issued under this Plan will incorporate the provisions of this Plan by reference. The Options granted under this Plan may be subjected to or include additional restrictions upon the exercise thereof and/or such other provisions, if any, as the Committee and/or the Board may deem advisable and cause to be specified in the Grant, or the Option Agreement entered into pursuant thereto.

**16. TAX WITHHOLDING.**

The Participant also shall provide immediately available funds to the Corporation or Affiliate in an amount sufficient to pay the amount of any withholding taxes required with respect to the exercise of the Option at the time such withholding is required. Shares are not accepted for payment of Participant tax withholding. The Corporation or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Participant any minimum required Federal, state, or local taxes of any kind required by law to be withheld upon the issuance of any Shares upon the exercise of an Option.

**17. AMENDMENT.**

(a) The Corporation may from time to time amend this Plan, except that, without shareholder approval, no amendment shall change the aggregate number of Shares subject to this Plan, extend the term of this Plan, or change the EPS Target other than as provided in Section 8(f). In addition, any such amendment shall be submitted for shareholder approval to the extent required by applicable law, rules or regulations. An amendment to this Plan or to any outstanding Option shall not, without the consent of a Participant, reduce or impair any rights or obligations under any Option theretofore granted to such Participant under this Plan.

(b) The Option Price of any existing Option may not be decreased, except in accordance with Section 12, without Shareholder approval.

(c) The exercisability of any existing Option may not be accelerated, other than by reason of Section 8(c) or Section 13, without Shareholder approval.

**18. SUSPENSION OR TERMINATION OF PLAN.**

The Board may from time to time suspend or at any time terminate this Plan. This Plan shall terminate on the tenth anniversary of the Effective Date, unless earlier terminated by the Board. No Option may be granted during any such suspension or after termination. The termination of this Plan shall not, without the consent of the Participant, reduce or impair any rights or obligations under any Option theretofore granted to such Participant under this Plan.

**19. INDEMNIFICATION.**

The members of the Committee shall be indemnified by the Corporation to the maximum extent permitted by applicable state law and the Corporation's articles of incorporation or bylaws.

**20. DISCLAIMER OF EMPLOYMENT RIGHTS.**

Neither this Plan nor any Option granted hereunder will create any employment right in any person.

**21. GOVERNING LAW**

The validity, interpretation and effect of the Plan, and the rights of all persons hereunder, shall be governed by and determined in accordance with the laws of Virginia, other than the choice of law rules thereof.

**NVR, INC.**

By: /s/ James M. Sack

\_\_\_\_\_  
Its: Vice President, Secretary and  
General Counsel

**NVR, INC.**  
**2005 STOCK OPTION PLAN**  
**NON-QUALIFIED STOCK OPTION AGREEMENT**

THIS AGREEMENT is entered into as of \_\_\_\_\_, between NVR, INC., a Virginia corporation (hereinafter "NVR"), and \_\_\_\_\_ an employee of NVR and/or of an NVR subsidiary (the "Optionee").

Recitals:

WHEREAS, NVR has adopted the NVR, INC. 2005 Stock Option Plan (the "Plan") providing for the grant under certain circumstances of options (the "Options") exercisable for the purchase of shares of NVR Common Stock (the "Shares");

WHEREAS, NVR, under the terms and conditions set forth below, has offered and committed to grant an Option under the Plan to the Optionee in connection with the employment of the Optionee in the capacity set forth below; and

WHEREAS, in consideration of the grant of the Option and other benefits, the Optionee is willing to accept the Option provided for in this Agreement and is willing to abide by the obligations imposed on him or her under this Agreement and the other responsibilities of his or her position

Provisions:

NOW, THEREFORE, in consideration of the mutual benefits hereinafter provided, and each intending to be legally bound, NVR and the Optionee hereby agree as follows:

**1. Acknowledgments of Optionee.** The Option granted under this Agreement is intended to provide to the Optionee an opportunity to purchase Shares. The Optionee is employed by \_\_\_\_\_ in the position of \_\_\_\_\_. The Optionee acknowledges that such position, the Option granted under this Agreement and the other benefits of his or her employment in that capacity are being conferred upon the Optionee only because of and on the condition of the willingness of the Optionee to commit his or her best efforts and loyalty to NVR in the performance of the duties of that position.

**2. Effect of the Plan.** The Option to be granted under this Agreement will be subject to all of the terms and conditions of the Plan, which are incorporated by reference and made part of this Agreement. The Optionee will abide by, and the Option granted to the Optionee will be subject to, all of the provisions of the Plan and of this Agreement, together with all rules and determinations from time to time issued by the Committee established to administer the Plan and by the Board of Directors of NVR (hereinafter "Board") pursuant to the Plan.



**3. Grants.** The Optionee is hereby granted an option to purchase \_\_\_\_\_ Shares, with an Option Price of \$\_\_\_\_\_ per Share.

**4. Exercise; Conditions to Exercise.**

(a) **Period of Exercise.** Subject to Section 4(f) below, the Option may be exercised in whole or in part with respect to vested grants at any time after vesting. No Option may be exercised after ten years from the date of grant. The Option may be exercised only with respect to whole Shares.

(b) **Vesting of Option.** If the EPS Target is met in accordance with Section 4(f)(i) below, then on each of December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, twenty-five percent (25%) of the Options shall be exercisable in respect of the number of Shares initially subject to the Option. Subject to Section 4(f), the foregoing installments, to the extent not exercised, shall accumulate and be exercisable, in whole or in part, at any time and from time to time, after becoming exercisable and prior to the termination of the Option. For the avoidance of doubt and by way of example, if additional vesting occurs on December 31, 2010, the Options additionally vested on that date could not be exercised until the first business day of 2011, at which time the Optionee would not necessarily have to be an employee of NVR or an NVR subsidiary to exercise the Options, subject to the earlier termination of the Option pursuant to Paragraphs 4(a) and 5 of this Agreement. In the event of a termination of the Optionee's employment resulting from the Optionee's involuntary termination without "Cause" (as defined in Section 5), death, disability or retirement at normal retirement age (age 65) after the EPS Target is met, the Option shall become exercisable at the date of termination for a pro rata portion (based on the number of full months of the current year that has expired prior to the termination, but no more than three months in the case of an involuntary termination without "Cause" or retirement at normal retirement age) of the previously nonexercisable portion of the Option which would have been eligible to be exercised at the end of the year in which such termination occurs.

(c) **Who May Exercise.** During the Optionee's lifetime, the Option rights may be exercised only by him or her.

(d) **Manner of Exercise.** Option rights may be exercised by the delivery of written notice from the Optionee to the Committee or the Committee's designee specifying the number of Shares then being exercised.

(e) **Payment of Exercise Price.** To exercise the Option, the Optionee must make full payment of the Option Price to NVR in any one or more of the following ways:

- (i) in immediately available funds;

(ii) by the assignment and delivery to NVR of Shares owned by the Optionee (or his estate) provided however, that such Shares have not been acquired pursuant to the exercise of an option within the last six months (unless the options were exercised following the death of the Optionee), are free and clear of all liens and encumbrances and have a fair market value (as determined by the closing price on the national securities exchange on which the Shares are listed on the day preceding the day of exercise or by any other method acceptable to the Committee in its absolute discretion) equal to the applicable Option Price less than any portion thereof paid in cash; or

(iii) by delivery (on a form prescribed by NVR) of an irrevocable direction to a licensed securities broker acceptable to NVR to sell Shares and to deliver all or part of the sale proceeds to NVR in payment of the aggregate Option Price (but only if the Optionee is not a member of Senior Management).

The Optionee also must reimburse NVR for the amount of all applicable withholding taxes at the rate required to be paid by NVR in immediately available funds at the time of exercise.

**(f) Restrictions on Exercise.**

(i) *Performance Goal.* Except as provided in Section 7 below, the Option shall not become exercisable unless NVR meets the EPS Target.

NVR will be deemed to have met the EPS Target if NVR's cumulative earnings per share is at least \$339.00 per share (as adjusted by the Board in its reasonable discretion for reorganizations, recapitalizations, splits, reverse splits, combinations of shares, mergers, consolidations, sales of assets or other similar events occurring after May 4, 2005) for the years 2005, 2006, 2007 and 2008. For the avoidance of doubt, cumulative earnings per share means the sum of the earnings per share for each year (determined in accordance with the generally accepted accounting principles for U.S. companies as then in effect for each such year, with no retroactive adjustments for rules becoming effective in future years), and shall be determined as of December 31, 2008.

(ii) *Regulatory Matters.* The Option may not be exercised if such exercise would constitute a violation of any applicable Federal or state statute or regulation or if any required approval of a governmental authority having jurisdiction shall not have been secured. NVR agrees to use reasonable diligence to obtain all such requisite approvals or consents.

**5. Termination of Option.**

(a) If the EPS Target has not been met as of December 31, 2008, the Option shall immediately terminate.

(b) If the Optionee ceases to be an employee of NVR and its affiliates, other than as a result of a termination for "Cause" (as defined in the following paragraph), the unexercised Option shall terminate, except that within three (3) months after termination of employment (one year in the case of termination due to death or disability) the Optionee or his personal representative and/or the person or persons to whom the Optionee's Option rights may pass by will or by the applicable laws of descent and distribution, as the case may be, may exercise the Option to the extent to which he or she was entitled to exercise the Option on the date of termination of employment.

(c) A termination shall be for "Cause" in the event the Optionee ceases to be an employee of NVR and its affiliates attributable to a termination of employment as a result of (i) conviction of a felony, or other crime involving moral turpitude; (ii) gross misconduct in connection with the performance of such Optionee's duties (which shall include a breach of such Optionee's fiduciary duty of loyalty); (iii) a willful violation of any criminal law involving a felony, including federal or state securities laws; or (iv) material breaches (following notice and an opportunity to cure) of any covenants by the Optionee contained in any agreement between Optionee and NVR or its affiliates. In the event of a for "Cause" termination of employment, the unexercised Option shall terminate immediately.

(d) In no event may the Option be exercised by the Optionee if he or she has violated any provision of this Agreement.

**6. Adjustment Upon Changes in Shares.** In the event of a change in NVR's capital structure, the adjustments provided for in Paragraph 12 of the Plan shall be made to the Option Price and the number of Shares subject to the Option hereunder.

**7. Change of Control; Sale of Assets/Stock.** Upon the dissolution or liquidation of NVR or upon a Change of Control, the Option shall be fully vested and be exercisable without regard to whether or not the EPS Target has been met. In the event of any such Change of Control or dissolution or liquidation (a "Transaction"), the Optionee shall have the right, (i) immediately prior to the occurrence of such Transaction and (ii) during such period occurring prior to such Transaction as the Committee in its sole discretion shall designate, to exercise the Option in whole or in part, whether or not such Option was otherwise exercisable at the time such Transaction occurs and without regard to any installment limitation on exercise imposed pursuant to Section 4 above, but subject to Section 4(f)(ii).

For purposes of the Plan, "Change of Control" means:

(i) a merger, consolidation, reorganization or other business combination of NVR with one or more other entities in which NVR is not the surviving entity;

(ii) a sale of substantially all of the assets of NVR to another entity; or

(iii) any transaction (including, without limitation, a merger or reorganization in which NVR is the surviving entity) which results in any person or entity (or persons or entities acting as a group or otherwise in concert) owning twenty percent or more of the common stock of NVR.

Notwithstanding (iii) above, a Change of Control shall not occur if any director, officer or employee owns 20 percent or more of the Shares, or acquires the right to purchase Shares which if such right were exercised would result in the ownership of 20 percent or more of the Shares, as a result of:

- (a) the exercise of options or the grant or vesting of equity-based awards under any incentive plan of NVR;
- (b) the purchase of Shares directly by the director, officer or employee of NVR; or
- (c) the implementation of a Share repurchase program by NVR.

**8. Noncompetition, Non-Solicitation and Confidentiality.** (a) In consideration of the promises set forth in this Agreement, the Optionee agrees:

(i) to maintain the confidentiality of any and all information concerning NVR and its affiliates, whether with respect to its business, operations, finances, employees or otherwise during the period of his or her employment and for three (3) years after the termination of such employment;

(ii) that, during employment, he or she will not compete with NVR or with any of its affiliates, directly or indirectly in any phase of the residential homebuilding business or mortgage financing business or settlement services business at any location and during the twenty-four (24) month period following termination, he or she will not compete with NVR or with any of its affiliates, directly or indirectly in any phase of the residential homebuilding business or mortgage financing business or settlement services business at any location within any Standard Metropolitan Statistical Area (as determined by the Census Bureau, Department of Commerce, United States Government) in which Optionee has had managerial responsibility for any office or affiliate of NVR at any time within the two-year period prior to the Optionee's termination of employment;

(iii) that he or she will not hire or solicit for hiring, directly or indirectly, any person now or hereafter employed by, or providing services as a subcontractor to, NVR or any affiliate of NVR for twenty-four (24) months after termination of the Optionee's employment;

(iv) that he or she will not utilize the services of or attempt to acquire real property, goods or services from any developer or subcontractor now or hereafter utilized by NVR or any affiliate of NVR for twenty-four (24) months after termination of employment; and

(v) not to make or retain copies of any documents, forms, blueprints, designs, policies, memoranda or other written information developed by NVR or any affiliate of NVR now or hereafter produced and/or circulated by NVR and further agrees not to copy, transfer or otherwise retain any electronic data (including information stored on a hard drive or disk), software (including proprietary software), computer data bases or other non-print information produced, designed, owned, copyrighted or utilized by NVR.

(b) The Optionee acknowledges that the restrictions set forth in this Section 8 and elsewhere in this Agreement are reasonable and necessary to protect the business and interests of NVR and its affiliates and that it would be impossible to measure in money the damages that could or would accrue to NVR and its affiliates in the event that the Optionee fails to honor his or her obligations under this Section 8. Therefore, in addition to any other remedies NVR or its affiliates may have, it shall have the right to have the Optionee's obligations hereunder specifically performed by order of any court having jurisdiction, without the necessity of proving actual damage.

(c) If the Optionee violates the restrictions set forth in this Section 8, the Optionee shall forfeit the Options granted pursuant to this Agreement, and shall also repay to NVR the gain (i.e., the difference at exercise between the aggregate fair market value of the purchased shares and the aggregate Option Price) recognized by the Optionee pursuant to the Options during the period beginning eighteen (18) months prior to the first violation by the Optionee of this Section 8 and ending on the date that the Company notifies the Optionee that the Optionee has forfeited the Options pursuant to this Section 8.

(d) In the event that there is a Change of Control, as defined in Section 7 of the Agreement, and the Participant is terminated without Cause, or the Participant voluntarily terminates with Good Reason, with Good Reason defined as (i) the Participant's management responsibilities are diminished, or (ii) the Participant was an Executive Officer of NVR as defined by the Securities Exchange Act of 1933 and is not an Executive Officer of the surviving corporation or (iii) the Participant suffers any reduction of base compensation or any reduction in incentive opportunities, the non-competition provisions of Paragraph 8 become void. The confidentiality provisions remain in full force and effect.

**9. Nonassignability.** The options may not be transferred in any manner otherwise than by will or the laws of descent and distribution.

**10. Rights as a Holder of Shares.** An Optionee or a transferee of an Option shall have no rights as a Shareholder with respect to any Shares covered by his or her Option until the date on which payment is made by him or her, and accepted by the Company, for such Shares. No adjustment shall be made for distributions for which the record date is prior to the date such payment is made and accepted.

**11. Employment.** Nothing herein contained shall be construed to entitle the Optionee to continued employment with NVR and its affiliates.

**12. Notices.** All notices to NVR must be in writing, addressed and delivered or mailed to: NVR, Inc., Plaza America Tower I, 11700 Plaza America Drive, Suite 500, Reston, VA 20190, Attn: Assistant Treasurer and all notices to the Optionee must be in writing addressed and delivered or mailed to him or her at the address shown on the records of NVR.

**13. Governing Law.** This Agreement and all determinations made and actions taken pursuant thereto, shall be governed under the laws of the Commonwealth of Virginia, other than with regard to the choice of law provisions thereof.

**14. Severability.** If any part of this Agreement shall be determined to be invalid or unenforceable, such part shall be ineffective only to the extent of such invalidity or unenforceability, without affecting the remaining portions hereof.

**15. Amendment, Suspension or Termination of Plan.** The Company may from time to time amend, suspend or, at any time, terminate the Plan or modify this option agreement. An amendment, suspension or termination of the Plan shall not without the consent of the Optionee, reduce or impair any rights or obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**NVR, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
WITNESS (as to Optionee)

\_\_\_\_\_  
OPTIONEE