

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For quarterly period ended AUGUST 31, 1994 or

Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 1-8551

Hovnanian Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Delaware 22-1851059
(State or other jurisdiction or (I.R.S. Employer
incorporation or organization) Identification No.)

10 Highway 35, P.O. Box 500, Red Bank, N. J. 07701
(Address of principal executive offices)

908-747-7800
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,722,914 Class A Common Shares and 8,299,139 Class B Common Shares were outstanding as of September 30, 1994.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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Item 4. Submission of Matters to a Vote of Security Holders.

Item 6(a) Exhibit 10(a) - Amendment to Credit Agreement among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain

Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank, NBD Bank, N.A., PNC Bank, National Association, Meridian Bank, NationsBank of Virginia, N.A., First National Bank of Boston, and Continental Bank.

Exhibit 27 - Financial Data Schedules

Item 6(b). No reports on Form 8K have been filed during the quarter for which this report is filed.

Signatures

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HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	August 31, 1994	February 28, 1994
	-----	-----
Cash:		
Demand deposits.....	\$ 3,838	\$ 23,274
Escrow accounts.....	4,132	5,043
Total cash.....	7,970	\$ 28,317
Receivables:		
Customer accounts and other.....	18,620	17,935
Escrow and deposits.....	7,948	8,393
Related parties.....	2,207	1,411
Total receivables.....	28,775	27,739
Mortgages and Notes Receivable:		
Collateralized mortgages receivable.....	21,794	30,755
Residential mortgages receivable.....	23,319	50,673
Other mortgages and notes receivable.....	3,000	3,808
Mortgages and notes receivable.....	48,113	85,236
Inventories - At cost, not in excess of market:		
Real estate under development:		
Accumulated cost of construction:		
Finished.....	36,965	22,247
In progress.....	56,414	25,395
Land and land development costs.....	199,055	146,665
Land, land options, and costs of projects in planning.....	89,608	84,431
Total inventories.....	382,042	278,738
Property - At cost:		
Operating property.....	23,095	20,757
Less accumulated depreciation.....	11,648	10,925
Net operating property.....	11,447	9,832
Rental property.....	62,756	69,116
Less accumulated depreciation.....	7,440	7,156
Net rental property.....	55,316	61,960
Income producing properties under development	16,119	14,691
Property - net.....	82,882	86,483
Investment In and Advances to Unconsolidated Affiliate and Joint Ventures.....	5,252	4,353
Prepaid Expenses and Other Assets.....	33,954	28,736
Total Assets.....	\$588,988	\$539,602
	=====	=====

See notes to consolidated financial statements.

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	August 31, 1994	February 28, 1994
	-----	-----
Mortgages and Notes Payable:		
Nonrecourse land mortgages.....	\$ 8,454	\$ 7,494

Revolving credit agreement.....	109,950	
Mortgage warehouse line of credit.....	13,588	39,307
Nonrecourse mortgages secured by building, land, and land improvements.....	20,516	21,447
Total mortgages and notes payable.....	152,508	68,248
Bonds Collateralized By Mortgages Receivable...	21,323	30,343
Subordinated Notes.....	200,000	200,000
Accounts Payable.....	15,755	19,821
Customers' Deposits.....	14,949	12,103
Accrued Liabilities:		
State income taxes.....	15	640
Federal income taxes:		
Current.....	(5,644)	8,288
Deferred.....	(3,542)	(5,990)
Interest.....	7,522	7,660
Post development completion costs.....	10,703	12,145
Other.....	9,372	15,343
Total accrued liabilities.....	18,426	38,086
Total liabilities.....	422,961	368,601
Stockholders' Equity:		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value authorized 87,000,000 shares; issued 14,930,818 shares (including 345,874 shares held in Treasury)	148	147
Common Stock, Class B, \$.01 par value authorized 13,000,000 shares; issued 8,647,983 shares (including 345,874 shares held in Treasury)	88	88
Paid in Capital.....	32,787	32,301
Retained Earnings.....	138,303	143,764
Treasury Stock - at cost.....	(5,299)	(5,299)
Total stockholders' equity.....	166,027	171,001
Total Liabilities and Stockholders' Equity.....	\$588,988	\$539,602

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Data)

	Three Months Ended		Six Months Ended	
	August 31, 1994	August 31, 1993	August 31, 1994	August 31, 1993
Revenues:				
Housing sales.....	\$131,733	\$116,376	\$224,609	\$173,991
Land and lot sales.....	299	557	462	1,361
Rental operations.....	2,135	1,884	4,079	3,523
Mortgage banking and finance operations.....	2,134	2,522	4,571	4,469
Other operations.....	2,080	1,952	3,649	2,897
Total revenues.....	138,381	123,291	237,370	186,241
Cost and Expenses:				
Construction, land, interest and operations..	111,418	94,901	190,811	144,298
Selling, general and administrative.....	22,006	15,231	38,568	25,477
Rental operations.....	2,556	2,425	5,034	4,459
Mortgage banking and finance operations.....	2,928	2,751	5,963	4,994
Other operations.....	2,381	785	4,381	1,428
Total costs and expenses.....	141,289	116,093	244,757	180,656
Income (Loss) Before Income Taxes and Extraordinary Loss.....	(2,908)	7,198	(7,387)	5,585
State and Federal Income Taxes:				
State.....	836	509	1,181	633
Federal:				
Current.....	(4,311)	390	(5,555)	(2,177)
Deferred.....	3,049	1,527	2,448	3,344
Total taxes.....	(426)	2,426	(1,926)	1,800
Income (Loss) Before Extraordinary Loss.....	(2,482)	4,772	(5,461)	3,785

Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes.....				(1,277)	
Net Income (Loss).....	(2,482)	4,772	(5,461)	2,508	
Retained Earnings, Beginning of Period.....	140,785	122,855	143,764	125,119	
Retained Earnings, End of Period.....	\$138,303	\$127,627	\$138,303	\$127,627	
Income (loss) before extraordinary loss.....	\$ (0.11)	\$ 0.21	\$ (0.24)	\$ 0.17	Earnings Per Common Share:
Extraordinary loss.....				(0.06)	
Net Income (Loss).....	\$ (0.11)	\$ 0.21	\$ (0.24)	\$ 0.11	
Weighted Average Number of Shares Outstanding.....	22,887	22,818	22,868	22,801	

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars In Thousands)

	A Common Stock		B Common Stock		Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount				
Balance, February 28, 1994..	14,361,591	\$147	8,480,462	\$88	\$32,301	\$143,764	\$(5,299)	\$171,001
Issuance of Class A Common Stock.....	45,000	1			486			487
Conversion of Class B to Class A common stock.....	178,353		(178,353)					
Net Loss.....						(5,461)		(5,461)
Balance, August 31, 1994....	14,584,944	\$148	8,302,109	\$88	\$32,787	\$138,303	\$(5,299)	\$166,027

See notes to consolidated
financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Six Months Ended	
	August 31, 1994	August 31, 1993
Cash Flows From Operating Activities:		
Net Income (Loss).....	\$(5,461)	\$ 2,508
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation.....	1,853	1,330
Loss on sale and retirement of property and assets.....	337	115
Deferred income taxes.....	2,448	3,344
Decrease (increase) in assets:		
Escrow cash.....	911	951
Receivables, prepaids and other assets..	(5,767)	(13,211)
Mortgages receivable.....	27,633	10,527
Inventories.....	(103,304)	(58,856)
Increase (decrease) in liabilities:		
State and Federal income taxes.....	(14,557)	(6,356)
Customers' deposits.....	2,846	10,502
Interest and other accrued liabilities..	(6,109)	(2,148)
Post development completion costs.....	(1,442)	1,609
Accounts payable.....	(4,066)	1,859
Net cash used in operating activities..	(104,678)	(47,826)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets.....	5,240	1,420
Cost of property and assets sold.....	(6,315)	(845)
Purchase of operating property.....	(2,446)	(1,209)
Investment in and advances to unconsolidated affiliates.....	(899)	104
Net investment in income producing properties..	4,932	(9,165)
Investment in loans from sale of subsidiaries..		50

Net cash provided by (used in) investing activities.....	512	(9,645)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes.....	350,970	202,664
Proceeds from subordinated debt.....		96,870
Principal payments on mortgages and notes.....	(275,730)	(253,526)
Investment in mortgages receivable.....	9,490	5,202
Proceeds from sale of stock.....		404
Net cash provided by financing activities.....	84,730	51,614
Net Decrease In Cash.....	(19,436)	(5,857)
Cash Balance, Beginning Of Period.....	23,274	10,211
Cash Balance, End Of Period.....	\$3,838	\$ 4,354

See Notes to consolidated financial statements.

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. The consolidated financial statements, except for the February 28, 1994 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended		Six Months Ended	
	8/31/94	8/31/93	8/31/94	8/31/93
(Dollars in Thousands)				
Interest Incurred (1):				
Residential (3).....	\$ 5,807	\$ 5,637	\$ 10,816	\$ 10,120
Commercial(4).....	1,221	1,413	2,467	2,579
Total Incurred.....	\$ 7,028	\$ 7,050	\$ 13,283	\$ 12,699
Interest Expensed:				
Residential (3).....	\$ 4,005	\$ 4,245	\$ 7,056	\$ 6,807
Commercial (4).....	1,215	1,339	2,397	2,419
Total Expensed.....	\$ 5,220	\$ 5,584	\$ 9,453	\$ 9,226
Interest Capitalized at				
Beginning of Period.....	\$ 28,007	\$ 25,296	\$ 26,443	\$ 23,365
Plus Interest Incurred.....	7,028	7,050	13,283	12,699
Less Interest Expensed.....	5,220	5,584	9,453	9,226
Less Charges to Reserves.....	78	169	181	245
Less Sale of Assets.....		40	355	40
Interest Capitalized at End of Period	\$ 29,737	\$ 26,553	\$ 29,737	\$ 26,553
Interest Capitalized at End of Period:				
Residential(3).....	\$ 23,788	\$ 20,431	\$ 23,788	\$ 20,431
Commercial(2).....	5,949	6,122	5,949	6,122
Total Capitalized.....	\$ 29,737	\$ 26,553	\$ 29,737	\$ 26,553

- (1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
- (2) Does not include a reduction for depreciation.
- (3) Represents acquisition interest for construction, land and development costs which is charged to cost of sales.
- (4) Represents interest charged to rental operations.

3. In July 1993, the Company redeemed all of its outstanding 12 1/4% Subordinated Notes due 1998 at a price of 102% of par. The principal amount redeemed was \$50,000,000 and the redemption resulted in an extraordinary loss of \$1,277,000, net of income taxes of \$658,000. As of May 31, 1993, the Company accrued and expensed the premium paid and expensed all unamortized prepaid issuance expenses as an extraordinary loss.

4. On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the year end of the fiscal year of the Company be changed from the last day of February to October 31. The report covering the three month period ended May 31, 1994 and the three and six

month periods ended August 31, 1994 will be filed on Form 10-Q. The report covering the eight month transition period of March 1 through October 31, 1994 will be filed on Form 10-K. Thereafter, the Company will file reports on January 31, April 30, July 31, and October 31.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the six months ended August 31, 1994 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, and interest. The Company provided for its cash requirements from the Revolving Credit Facility and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to \$225,000,000 (the "Revolving Credit Facility") through March 1997. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of August 31, 1994, borrowings under the Agreement were \$109,950,000.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of August 31, 1994, the aggregate principal amount of all such borrowings was \$34,911,000.

The book value of the Company's residential inventories, rental condominiums, and commercial properties completed and under development amounted to the following:

	August 31, 1994	February 28, 1994
	-----	-----
Residential real estate inventory.....	\$382,042,000	\$278,738,000
Residential rental property.....	8,017,000	8,411,000
	-----	-----
Total Residential Real Estate.....	390,059,000	287,149,000
Commercial properties.....	63,418,000	68,240,000
	-----	-----
Combined Total.....	\$453,477,000	\$355,389,000
	=====	=====

Total residential real estate increased \$102,910,000 during the six months ended August 31, 1994 as a result of an inventory increase of \$103,304,000, and a rental condominium decrease of \$394,000. The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries later this year, and the Company's overall increase in housing volume. The Company's rental condominiums declined due to the Company's continued liquidation of New Hampshire rentals. Substantially all residential homes under construction or completed and included in real estate inventory at August 31, 1994 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

The following table summarizes housing lots in the Company's active communities under development:

		Home Lots Owned/ Approved	Homes Closed	Contracted Not Closed (1)	Remaining Lots Available (2)
	Commun- ities	-----	-----	-----	-----
August 31, 1994.....	92	12,969	4,979	1,829	6,161
February 28, 1994...	82	12,355	4,903	1,891	5,561

(1) Includes 48 and 283 lots under option at August 31, 1994 and February 28, 1994, respectively.

(2) Of the total home lots available, 581 and 359 were under construction or complete (including 96 and 83 models and sales offices) and 2,147 and 2,534 were under option at August 31, 1994 and February 28, 1994, respectively.

In addition, in substantially completed or suspended developments the Company owned 581 and 666 home lots at August 31, 1994 and February 28, 1994, respectively. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At August 31, 1994 the Company controlled such land to build 13,337 proposed homes, compared to

12,916 homes at February 28, 1994.

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Rental Program" and "Other Operations" under "Results of Operations"). During the six months ended August 31, 1994, the decrease in commercial properties was primarily the result of the sale of a mini-storage facility and office building in Hamilton Township, NJ and the sale of an office/warehouse facility in Pompano Beach, FL. When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At August 31, 1994, the Company had long-term non-recourse financing aggregating \$17,563,000 on two commercial facilities, a decrease of \$911,000 from February 28, 1994, due to principal amortization and the sale of the Pompano Beach, FL office/warehouse facility.

The Company's mortgages and notes receivable amounted to the following:

	August 31, 1994	February 28, 1994
	-----	-----
Collateralized mortgages receivable.....	\$21,794,000	\$30,755,000
Residential mortgages receivable.....	23,319,000	50,673,000
Other mortgages and notes receivable.....	3,000,000	3,808,000
	-----	-----
Total Mortgages and Notes Receivable....	\$48,113,000	\$85,236,000
	=====	=====

The collateralized mortgages receivable are pledged against non-recourse collateralized mortgage obligations. Residential mortgages receivable amounting to \$16,784,000 and \$43,502,000 at August 31, 1994 and February 28, 1994, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses. Other includes land and lot mortgages which are usually short term (5 years or less) and not subject to construction loan subordination and notes from the sale of subsidiaries.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 1994
COMPARED TO THE THREE AND SIX MONTHS ENDED AUGUST 31, 1993

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising primarily of New Jersey and eastern Pennsylvania), North Carolina, southeastern Florida, and metro Washington, D.C. (northern Virginia). In addition, the Company is in the mortgage banking and title insurance businesses, and develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida.

The Company incurred a loss during the six months ended August 31, 1994 primarily due to decreased gross margins and increased overheads which are discussed under "Housing Operations" below. In addition, due to the change in year end (see Notes to Consolidated Financial Statements - Note 4), certain costs amortized to homes closed during the year will be amortized to homes closed during the eight months ending October 31, 1994. On a pro rata basis, since fewer homes are delivered per month in the first eight months of the year, the year end change resulted in a higher per home amortization during the six months ended August 31, 1994.

At August 31, 1994 the Company's home contract backlog for future delivery was 1,969 homes, with an aggregate sales value of \$314.8 million, compared to 2,366 homes, with an aggregate sales value of \$351.1 million at the same time last year. For the six months ended August 31, 1994 net contracts signed amounted to \$244.5 million or 1,544 homes, compared to \$318.0 million or 2,225 homes for the same period last year. This decrease is the result of fewer contracts in all the Company's markets. Buyer traffic and contracts started declining in April 1994 when homebuyer mortgage rates began to increase. The Northeast Region contracts are down as a result of delayed openings of new communities. Such delays are usually caused by additional time needed to obtain final approval to build from the local governing authority. The Company has started offering buyer incentives to stimulate sales. In addition, during the next twelve months the Company is planning to have a 30% increase in the number of communities for sale.

The following table sets forth, for the periods indicated, certain income statement items as percentages of total revenues:

	Three Months Ended August 31,		Six Months Ended August 31,	
	-----	-----	-----	-----
	1994	1993	1994	1993
	-----	-----	-----	-----
Total Revenues.....	100.0%	100.0%	100.0%	100.0%
	-----	-----	-----	-----

Costs and Expenses:

Construction, land, interest and operations.....	80.5	77.0	80.4	77.5
Selling, general and administrative....	15.9	12.4	16.2	13.7
Mortgage banking and finance operations	2.1	2.2	2.5	2.7
Rental and other operations.....	3.6	2.6	4.0	3.1
Total costs and expenses.....	102.1	94.2	103.1	97.0
Income (Loss) Before Income Taxes and Extraordinary Loss.....	(2.1)	5.8	(3.1)	3.0
Total Income Taxes.....	(0.3)	1.9	(0.8)	1.0
Income (Loss) Before Extraordinary Loss..	(1.8)	3.9	(2.3)	2.0
Extraordinary Loss From Extinguishment of Debt, Net of Income Taxes.....				(0.7)
Net Income (Loss).....	(1.8)%	3.9%	(2.3)%	1.3%

Total Revenues:

Revenues for the three months ended August 31, 1994 increased \$15.1 million or 12.2%, compared to the same period last year. This was primarily a result of increased housing revenues of \$15.4 million partially offset by a \$0.3 million decrease in land and lot sales and a \$0.4 million decrease in mortgage banking and finance operations. In addition, revenues from rental and other operations increased \$0.4 million.

Revenues for the six months ended August 31, 1994 increased \$51.1 million, or 27.5%, compared to the same period last year. This was primarily a result of increased housing revenues of \$50.6 million. Revenues from rental and other operations increased \$1.3 million primarily due to the addition of a retail center and related rentals. Mortgage banking and finance operations increased \$0.1 million and land and lot sales decreased \$0.9 million.

Housing Operations:

Housing revenues increased \$15.4 million, or 13.2 %, and \$50.6 million, or 29.1% during the three and six months ended August 31, 1994, respectively, compared to the same periods last year. Housing revenues are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

Information on homes delivered by market area is set forth below:

	Three Months Ended August 31,		Six Months Ended August 31,	
	1994	1993	1994	1993
(Dollars in Thousands)				
Northeast Region:				
Housing Revenues.....	\$ 78,532	\$ 73,740	\$126,531	\$103,655
Homes Delivered.....	497	527	808	749
North Carolina:				
Housing Revenues.....	\$ 28,739	\$ 18,327	\$ 53,102	\$ 28,949
Homes Delivered.....	205	146	382	235
Florida:				
Housing Revenues.....	\$ 16,401	\$ 9,602	\$ 27,976	\$ 17,877
Homes Delivered.....	116	81	203	150
Metro Washington, D.C.:				
Housing Revenues.....	\$ 7,286	\$ 13,984	\$ 15,727	\$ 22,527
Homes Delivered.....	37	93	89	158
Other:				
Housing Revenues.....	\$ 775	\$ 723	\$ 1,273	\$ 983
Homes Delivered.....	11	11	19	16
Totals:				
Housing Revenues.....	\$131,733	\$116,376	\$224,609	\$173,991
Homes Delivered.....	866	858	1,501	1,308

The three and six months ended August 31, 1994 housing revenue increases (compared to the prior year) was due to increased homes delivered and increased average sales prices in all the Company's markets. In the Northeast Region one reason average sales prices are increasing is because of the Company's diversified product mix of more detached single family homes and larger townhouses with garages designed for the move-up buyer. In Florida, housing revenues are increasing as a result of the addition of new single family developments. In the Company's North Carolina Division, home deliveries increased due to increased market share. In Metro Washington,

D.C. home deliveries decreased due to increased competition.

Construction, land, interest, and operations include expenses for housing and land and lot sales. A breakout of construction, land, interest, and operations expenses for housing sales and housing gross margin is set forth below:

	Three Months Ended August 31,		Six Months Ended August 31,	
	1994	1993	1994	1993
(Dollars in Thousands)				
Housing sales.....	\$131,733	\$116,376	\$224,609	\$173,991
Construction, land and operations expenses.....	107,125	90,164	183,364	136,412
Interest expense.....	3,963	4,155	6,981	6,693
Total expenses.....	111,088	94,319	190,345	143,105
Housing gross margin.....	\$ 20,645	\$ 22,057	\$ 34,264	\$ 30,886
Gross margin percentage.....	15.7%	19.0%	15.3%	17.8%

Construction, land and operating expenses as a percentage of housing sales increased 3.2% to 81.6% for the six months ended August 31, 1994 from 78.4% for the same period last year. Such costs as a percentage of housing sales increased due to (1) a one-time expense of \$2.2 million for warranty repair work to remedy a Northeast Region roof design problem, (2) a change in product mix with an additional 9.2% of home sales coming from North Carolina and Florida where such costs are traditionally a higher percentage, and (3) an 1.1% and 3.0% increase in such costs as a percentage of North Carolina and Florida home sales, respectively. The North Carolina market is more competitive which keeps prices and margins down. In Florida, the increase was caused by higher developed lot costs. In addition in all its markets the Company has incurred higher material costs.

Construction, land and operating expenses as a percentage of housing sales increased 3.8% to 81.3% for the three months ended August 31, 1994 from 77.5% for the same time last year. The increase was caused by the same factors noted above including warranty expenses amounting to \$1.0 million. The 81.3% is an 0.8% decrease from the three months ended May 31, 1994.

Housing interest has declined 0.7% as a percentage of housing sales to 3.1% for the six months ended August 31, 1994, from 3.8% for the same period last year. This decrease is primarily the result of the Company's increased inventory turnover and the use of equity to finance operations. Interest is capitalized during construction and expensed as houses are delivered.

Selling, general and administrative expenses increased \$6.8 million and \$13.1 million, or 44.5% and 51.4%, during the three and six months ended August 31, 1994, respectively, compared to the same periods last year. As a percentage of housing revenues such expenses increased 3.6% and 2.5% for the three and six months ended August 31, 1994, respectively, compared to the same periods last year.

The increase in the dollar amount of selling, general, and administrative expenses was primarily due to (1) a 29.1% increase in housing revenues, (2) a 35.8% overall increase in housing and Corporate associates due to anticipated growth in the near future, (3) the Company's training, quality, and process redesign initiatives, (4) the opening of additional divisional offices, and (5) the accelerated amortization of such costs over fewer monthly home deliveries during the eight months ending October 31, 1994. The Company's training, quality, and process redesign initiatives have resulted in approximately \$1.5 million increase in expenses. The Company has opened three new division offices in the Northeast and one in Florida. In addition, three area offices have been expanded in North Carolina. Such offices have been opened or expanded due to anticipated housing growth.

Due to the change in year end (see Notes to Consolidated Financial Statements - Note 4), certain division selling, general, and administrative expenses amortized to homes delivered during a year will be amortized to homes delivered during the eight months ending October 31, 1994. On a pro rata basis, since fewer homes are delivered per month in the first eight months of the year, the year end change resulted in a higher per home amortization during the six months ended August 31, 1994.

Land and Lot Operations:

A breakout of construction, land, interest and operating expenses for land and lot sales and gross margin is set forth below:

Three Months Ended August 31,		Six Months Ended August 31,	
1994	1993	1994	1993
-----	-----	-----	-----

(Dollars in Thousands)

Land and lot sales.....	\$ 299	\$ 557	\$ 462	\$ 1,361
	-----	-----	-----	-----
Construction, land and operations expenses.....	288	492	391	1,079
Interest expense.....	42	90	75	114
	-----	-----	-----	-----
Total expenses.....	330	582	466	1,193
	-----	-----	-----	-----
Land and lot sales				
Gross margin.....	\$ (31)	\$ (25)	\$ (4)	\$ 168
	=====	=====	=====	=====

Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but will significantly fluctuate up or down. During the six months ended August 31, 1994 such operations consisted of lot sales in the Northeast Region.

Mortgage Banking and Finance Operations:

Mortgage banking and finance operations consist primarily of originating mortgages from sales of the Company's homes and selling such mortgages in the secondary market. Such operations also include interest income and expense from the Company's collateralized mortgages receivable and related collateral mortgage obligations. Servicing rights on new mortgages originated by the Company are sold as the loans are closed.

Rental Program:

At August 31, 1994 the Company owned and was leasing three office buildings, three office/warehouse facilities, three retail centers, and a senior citizen residential complex. During the six months ended August 31, 1994 compared to the same period last year, rental operations increased primarily due to the completion and leasing of additional commercial properties and the senior citizen complex and the acquisition of a retail center. Rental operations include interest amounted to \$2.4 million for both the six months ended August 31, 1994 and 1993. The Company is also renting condominium homes in New Hampshire but is liquidating these rentals through a reduced house price sales program. The Company expects such operations to operate at a loss after deducting interest and depreciation.

Other Operations:

Other operations consisted primarily of title insurance, investment properties, sale of assets and other income from residential housing operations including interest income, contract deposit forfeitures, and management of certain homes in California as they are constructed and sold. The investment properties division supervises the construction of commercial properties and manages completed properties for the Company. Such properties, when completed, result in additional rental operations for the Company. During the six months ended August 31, 1994 the Company sold a 51,855 sq. ft. mini-storage facility and a 14,408 sq. ft. office building in Hamilton Township, NJ. In addition, the Company sold a 30,000 sq. ft. office/warehouse facility in Pompano Beach, FL. Included in other operations is the pretax loss from these sales amounting to \$745,000. The management of the construction and sale of certain homes in California and startup overhead resulted in a \$452,000 loss during the six months ended August 31, 1994 after deducting goodwill amortization of \$582,000.

Extraordinary Item:

In July 1993, the Company redeemed all of its outstanding 12 1/4% Subordinated Notes due 1998 at a price of 102% of par. The principal amount redeemed was \$50,000,000 and the redemption resulted in an extraordinary loss of \$1,277,000, net of income taxes of \$658,000. As of August 31, 1993, the Company accrued and expensed the premium paid and expensed all unamortized prepaid issuance expenses as an extraordinary loss.

Inflation has a long-term effect on the Company because increasing costs of land, materials and labor result in increasing sale prices of its homes. In general, these price increases have been commensurate with the general rate of inflation in the Company's housing market and have not had a significant adverse effect on the sale of the Company's homes. However, some material costs (primarily lumber) have recently increased above the rate of inflation due to demand being higher than available supplies. A significant risk faced by the housing industry generally is that rising house costs, including land and interest costs, will substantially outpace increases in the income of potential purchasers. In recent years, in the price ranges in which it sells homes, the Company has not found this risk to be a significant problem.

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 51% of the Company's total costs and expenses.

Item 4. Submission to Matters to a Vote of Security Holders

The Company held its annual stockholders meeting on July 13, 1994 at 10:30 a.m. in the Board Room of the American Stock Exchange, 13th floor, 86 Trinity Place, New York, New York. The following matters were voted on at the meeting:

. Election of all Directors to hold office until the next Annual Meeting of Stockholders. The elected Directors were:

- .. Kevork S. Hovnanian
- .. Ara K. Hovnanian
- .. Paul W. Buchanan
- .. Arthur Greenbaum
- .. Timothy P. Mason
- .. Desmond P. McDonald
- .. Peter S. Reinhart
- .. John J. Schimpf
- .. Stephen D. Weinroth

. Ratification of the selection of Kenneth Leventhal and Company as certified independent accountants for fiscal year 1995.

.. Votes For	15,131,012
.. Votes Against	8,525
.. Abstain	6,953

. Ratification of the Company's Cash Bonus Plan

.. Votes For	15,004,855
.. Votes Against	111,848
.. Abstain	28,987

SIGNATURES

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 thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: 10/14/94

Kevork S. Hovnanian,
Chairman of the Board and
Chief Executive Officer

DATE: 10/14/94

Paul W. Buchanan,
Senior Vice President
Corporate Controller

AMENDMENT TO CREDIT AGREEMENT

This Amendment to Credit Agreement ("Amendment") dated as of the 19th day of July, 1994 among K. Hovnanian Enterprises, Inc. ("Company") Hovnanian Enterprises, Inc. ("Hovnanian"), the subsidiaries of Hovnanian listed on the signature pages of this Amendment (each, together with Hovnanian, a "Guarantor" and collectively the "Guarantors") and Midlantic National Bank, Chemical Bank, United Jersey Bank (formerly known as United Jersey Bank/Central, N.A.), NBD Bank, N.A., PNC Bank, National Association ("PNC"), Meridian Bank ("Meridian"), NationsBank of Virginia, N.A. ("NationsBank"), First National Bank of Boston ("Bank of Boston") and Continental Bank ("Continental") (each such banking institution individually referred to as a "Bank" and collectively as the "Banks"), and Midlantic National Bank, as Agent for the Banks ("Agent").

BACKGROUND

WHEREAS, pursuant to that certain Credit Agreement, dated as of July 30, 1993, among the Company, certain Guarantors named therein or thereafter added, the Banks named therein, and the Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"), the Banks agreed to make certain loans and extend credit to the Company.

WHEREAS, the performance by the Company of its obligations under the Credit Agreement and the Notes is guaranteed, jointly and severally, by the Guarantors pursuant to the Guaranties of the Guarantors to each of the Banks (collectively, the "Guaranties");

WHEREAS, pursuant and subject to the terms of Section 8.7(c) of the Credit Agreement, an additional banking institution may join in and assume a Revolving Credit Commitment under the Credit Agreement and thereby become an Additional Bank thereunder;

WHEREAS, pursuant to a certain Joinder Agreement and related agreements dated December 8, 1993, PNC joined in the Revolving Credit Commitment and has thereby become an Additional Bank thereunder;

WHEREAS, pursuant to a certain Joinder Agreement ("Meridian Joinder") and related agreements dated January 26, 1994, Meridian joined in the Revolving Credit Commitment and has thereby become an Additional Bank thereunder;

WHEREAS, NationsBank, Bank of Boston, and Continental (each individually referred to as a "Joining Bank" and collectively as the "Joining Banks") desire and are willing to join in and assume a Revolving Credit Commitment under and thereby become Additional Banks under the Credit Agreement, and the Company, the Guarantors, the Banks and the Agent have approved such joinder by the Joining Banks; and

WHEREAS, the Company, the Guarantors, the Banks and the Agent desire to further modify the provisions of the Credit Agreement under the terms and conditions set forth in this Amendment.

NOW, THEREFORE, with the foregoing Background incorporated by reference and made part hereof, and intending to be legally bound, the parties hereto promise and agree as follows:

1. All terms used herein as defined terms and not herein defined shall have the respective meanings ascribed to them in the Credit Agreement.

2. Each Joining Bank hereby joins in, and assumes a Revolving Credit Commitment under, the Credit Agreement (as amended hereby) and thereby becomes an Additional Bank thereunder. Each Joining Bank shall thereby for all purposes be hereinafter considered a Bank under the Credit Agreement, agrees to be bound by its respective Revolving Credit Commitment set forth herein and the terms of the Credit Agreement (as amended hereby), and shall thereby obtain all benefits and rights of and agree to perform all duties and obligations of a Bank thereunder.

3. By reason of the joinder of Joining Banks as Banks under the Credit Agreement, and the increase in the Revolving Credit Commitments (as contemplated by Paragraph 9 below of this Amendment), Second Replacement Schedule 9 (attached to the Meridian Joinder) to the Credit Agreement is hereby replaced and superseded in its entirety by Third Replacement Schedule 9 attached to this Amendment. All references in the Credit Agreement to Schedule 9 shall hereinafter be deemed for all purposes to refer to Third Replacement Schedule 9.

4. Contemporaneously herewith, the Company shall execute and deliver to each Joining Bank a Revolving Credit Note in the amount of its respective Revolving Credit Commitment and the Guarantors shall each execute and deliver their Guaranty to each Joining Bank. The Company shall also then execute and deliver to each Bank (other than the Joining Banks) whose Facility Commitment is increasing a replacement Revolving Credit Note in the amount of its respective increased Revolving Credit Commitment.

5. Concurrently with the execution and delivery of this Amendment and

the documents described in paragraph 4 above, Joining Banks shall each make a Revolving Credit Loan as requested by the Company in an amount sufficient so that no violation then occurs with respect to subsection 6.2(w) of the Credit Agreement.

6. The definition of "Commitment Termination Date" contained in Section 1.1 of the Credit Agreement is hereby deleted and replaced in its entirety by the following new definition:

"Commitment Termination Date" shall mean, with respect to each Bank, March 31, 1997, provided, however, that on or before March 31 of each year, each Bank will review its respective commitment and, in its sole discretion, may extend the Commitment Termination Date for a period of twelve months, provided, that in no event shall the Commitment Termination Date be so extended unless and until all Banks agree to such extension in writing.

7. The definition of "LOC Bank" contained in Section 1.1 of the Credit Agreement is hereby deleted and replaced in its entirety by the following new definition:

"LOC Bank" shall mean each of the Banks, and any successors thereto or assigns thereof, all of which are also sometimes referred to herein collectively as the "LOC Banks".

8. The definition of "Other Senior Homebuilding Indebtedness" contained in Section 1.1 of the Credit Agreement is hereby modified to delete clause (i) thereof and substitute in its place the following new clause: "(i) outstanding principal balance of the Loans".

9. The definition of "Revolving Credit Commitments" contained in Section 1.1 of the Credit Agreement is hereby deleted and replaced in its entirety by the following new definition:

"Revolving Credit Commitments" means the collective commitments of all the Banks to make the Revolving Credit Loans to the Company pursuant to this Agreement in an aggregate principal amount not to exceed, at any time outstanding, \$195,000,000, as such amount may be increased pursuant to Subsection 8.7(c) hereof up to a maximum collective amount of \$215,000,000, provided, however, that the Revolving Credit Commitment of each Bank shall at all times be reduced by an amount equal to each such Bank's Revolving Credit Commitment Percentage of any then outstanding Excess Other Senior Homebuilding Indebtedness; and the "Revolving Credit Commitment" of any Bank at any particular time means the respective commitment of such Bank to make Revolving Credit Loans to the Company pursuant to this Agreement in an amount equal to its Revolving Credit Commitment Percentage multiplied by the aggregate principal amount of the Revolving Credit Commitments, all as set forth on Schedule 9 attached hereto.

10. The definition of "Russian Joint Venture" contained in Section 1.1 of the Credit Agreement is hereby deleted and replaced in its entirety by the following new definition:

"Russian Joint Venture" shall mean the investment(s) by Hovnanian (or a Consolidated Subsidiary) in a Joint Venture whose purpose is to develop property in what was known as "Russia" as of July 30, 1993, or what is currently known as "Poland" or "Hungary".

11. Section 1.1 of the Credit Agreement is hereby further modified by adding the following new definitions:

(a) "Net Worth Amount" shall mean Adjusted Tangible Net Worth less Allocated Subordinated Debt.

(b) "Modified Adjusted Tangible Net Worth" shall mean Adjusted Tangible Net Worth plus the lesser of: (i) \$17,500,000, or (ii) the Company's aggregate Investments in Income Producing Property Subsidiaries plus Permitted Guarantees of Indebtedness of Income Producing Property Subsidiaries less \$10,000,000.

(c) "Temporary Period" shall begin on the date hereof and end on the earlier of October 31, 1995 or the last date of the month in which Homebuilding Indebtedness (calculated using the Facility Commitment, rather than the outstanding principal balance of the Loans for the purpose of clause (iii) of the definition of Senior Homebuilding Indebtedness) is less than the sum of

- (i) the product of
 - (a) the Current Total Debt Multiplier times
 - (b) the Net Worth Amount measured as of February 28, 1993, plus
- (ii) the product of

- (a) the Future Total Debt Multiplier times
- (b) any change after February 28, 1993 in the Net Worth Amount.

12. (a). Section 2.8(a) of the Credit Agreement is hereby modified to delete the words "both LOC Banks and \$20,000,000 with respect to each LOC Bank at any time" in the fifth and sixth lines thereof and substitute in their place the words "the LOC Banks and not to exceed a maximum amount for each LOC Bank at any time as set forth on Schedule 11 attached hereto and made part hereof." Schedule 11 attached to and made part of this Amendment shall be deemed the Schedule 11 attached to the Credit Agreement.

(b). Section 2.8(a) of the Credit Agreement is hereby further modified to add the following sentence to the end of such Section:

When requesting a Letter of Credit from any LOC Bank, the Company shall simultaneously supply a copy of such request to the Agent.

13. Section 2.8(d) of the Credit Agreement is hereby modified to delete the second sentence of such section and substitute in its place the following:

Such letter of credit fee shall be payable in full, upon issuance of each Letter of Credit and based upon the maturity date of each Letter of Credit, as follows: one-eighth of one percent (.125%) shall be payable solely to the issuing LOC Bank and the balance of one and three-eighths percent (1.375%) shall be payable to each of the Banks (including the issuing LOC Bank) in an amount equal to such Bank's Revolving Credit Commitment Percentage of such portion of the letter of credit fee payment".

14. Sections 2.8(e) and 6.1(a)(x) of the Credit Agreement are hereby deleted in their entirety. Each Compliance Letter and Interim Compliance Letter submitted by the Company pursuant to the Credit Agreement shall, however, include a list of all outstanding Letters of Credit, setting forth the issuance date, the issuing LOC Bank, the face amount, the beneficiary and expiration date for each Letter of Credit. Company shall continue to supply copies of the actual Letters of Credit to each Bank which requests copies.

15. Section 3.9 of the Credit Agreement is hereby modified to add the following sentences to the end of such Section:

Without limiting the foregoing, such loss shall equal the present value (using as the discount rate an interest rate equal to the rate determined under (2) below) of the excess, if any of (1) the amount of interest which otherwise would have accrued on the Loan so paid, prepaid, terminated or converted (or not borrowed, converted or extended) for the period from the date of such payment, prepayment, termination or conversion (or failure to borrow, convert or extend) to the last day of the then current applicable Interest Period for the Loan (or in the case of a failure to borrow, convert or extend, to the last day of the applicable Interest Period for the Loan which would have commenced on the date specified in the relevant notice) at the applicable rate of interest for the Loan provided for herein (excluding any margin above Libor), over (2) the amount of interest (as reasonably determined by the Bank(s)) which would have accrued to the Bank(s) on the principal amount of such Loan by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A determination by the Bank(s) as to the amounts payable pursuant to this section shall be conclusive absent manifest error.

16. Section 6.2 of the Credit Agreement shall be amended to add the following additional subsections:

- (ff) During and only during the Temporary Period, Subsection 6.2(s) shall not be applicable to or binding upon the Company.
- (gg) During and only during the Temporary Period, Homebuilding Indebtedness shall not exceed the
 - (i) the product of
 - (1) the Current Total Debt Multiplier times
 - (2) the Net Worth Amount measured as of February 28, 1993 plus
 - (ii) the product of
 - (1) the Future Total Debt Multiplier times
 - (2) the change between the Net Worth Amount measured as of February 28, 1993 and Modified Adjusted Tangible Net Worth less Allocated Subordinated Debt.
- (hh) During and only during the Temporary Period, the Company shall be prohibited from issuing any additional Subordinated Debt or Other Senior Homebuilding Indebtedness.

17. Section 8.7(c) of the Credit Agreement is hereby deleted in its entirety and replaced by the following new Section (without in any way impairing or modifying the joinders of Additional Banks made prior to or contemporaneously with this Amendment or the rights, benefits and obligations of such Banks):

"The Company shall have the option, exercisable so long as no Event of Default is outstanding hereunder, to have one additional banking institution acceptable to Agent to join in, and assume a Revolving Credit Commitment under, this Agreement and thereby become an additional "Bank" under this Agreement ("Additional Bank"), provided, however, that (i) the Revolving Credit Commitment of the Additional Bank shall be \$20,000,000, (ii) the Additional Bank shall execute a joinder agreement acceptable to the Company and the Agent under which such Additional Bank assumes and agrees to be bound by its Revolving Credit Commitment, joins in this Agreement as a "Bank" and thereby obtains all benefits and rights of and agrees to perform all duties and obligations of a Bank hereunder, (iii) the Company executes and delivers to such Additional Bank a Revolving Credit Note in the amount of the Revolving Credit Commitment of such Additional Bank and the Guarantors each execute and deliver their Guaranty to the Additional Bank, (iv) this Agreement shall be automatically deemed to be amended to the extent necessary to give effect to the modifications to the Facility Percentages, Loan percentages and Revolving Credit Commitment Percentages of each Bank caused by the joinder of the Additional Bank into this Agreement, and (v) concurrently with the execution of the documents described in clauses (ii), (iii) and (iv) above, the Additional Bank makes a Revolving Credit Loan in an amount sufficient so that no violation then occurs with respect to Subsection 6.2(w) hereof."

18. Subsection 9.2(a) of the Credit Agreement is modified to add the following at the end of the second sentence of such Subsection:

"and Agent shall carry out and satisfy such duties with the same degree of care as Agent would employ with regard to a similar facility in which it was the only lender."

19. The fourth sentence of Section 9.3 of the Credit Agreement is hereby modified to replace the term "Banks" at the end of such sentence with the term "Requisite Banks". The fifth sentence of such Section is also modified to delete the words "instructions of the Banks" at the end of such sentence and substitute in their place the words "terms of this Agreement".

20. The Company represents and warrants that it has changed or is about to change its fiscal year to October 31. Accordingly, to the extent that any provision of the Credit Agreement requires determination of compliance by the Company, Hovnanian and/or the Guarantors as of the end of a fiscal quarter, such determination (and all calculations with respect thereto) shall be made after the date hereof as of August 31, 1994, October 31, 1994 (for the two months ending on such date) and as of each January 31, April 30, July 31 and October 31 thereafter. Notwithstanding the foregoing, the Company shall, for the purpose of all calculations to be made as of October 31, 1994, calculate the actual results for the months of September and October, and (except with respect to the calculation of Consolidated Net Income in clause (ii) of the definitions of Minimum Capital and Minimum Equity) divide such number by two and then multiply the result by three in order to determine whether it is in compliance with the respective covenants as of such date.

21. Company hereby warrants and represents as follows:

(a) There is not currently outstanding any Event of Default or any event which with the giving of notice or the lapse of time or both would become an Event of Default;

(b) The Company has full power, authority and legal right (i) to execute and deliver this Amendment and the Notes described herein, (ii) to borrow under the Credit Agreement, as amended hereby, and (iii) to perform and observe the terms and provisions of this Amendment and the Notes described herein. The execution, delivery and performance by the Company of this Amendment and the Notes described herein have been duly authorized by all necessary corporate action and are in furtherance of its corporate purposes.

(c) The Guarantors each have full power, authority and legal right (i) to execute and deliver this Amendment and Guaranties described herein and (ii) to perform and observe the terms and provisions of this Amendment and the Guaranties described herein. The execution, delivery and performance by each Guarantor of this Amendment and its respective Guaranty described herein have been duly authorized by all necessary corporate action and are in furtherance of its respective corporate purposes.

(d) No consent of any other Person (including shareholders of the Company or of any of the Guarantors) and no consent, license, approval or authorization of, or registration or declaration with, any governmental body, authority, bureau or agency is required in connection with the execution, delivery and performance by the Company and the Guarantors of this Amendment, the Notes described herein or the Guaranties described herein.

(e) The execution, delivery and performance of and compliance with this Amendment and the Notes described herein, in the case of the company, and with this Amendment and the Guaranties described herein, in the case of each Guarantor, will not result in any violation of or be in conflict with or

constitute a default under any term of its respective certificate of incorporation or bylaws, or any agreement, indenture, mortgage, lease, assignment, note or other instrument to which it is a party or which purports to be binding upon it or upon any of its properties or assets, or any judgment, decree, order, law, statute, ordinance, rule or governmental regulation applicable to it (except to the extent that any such violations, in the aggregate, could not reasonably be expected to have a Material Adverse Effect), or result in the creation of an Encumbrance upon any of its properties or assets pursuant to any such term.

(f) The respective representations and warranties of the Company and each of the Guarantors contained in the Credit Agreement are true and complete and correct in all material respects (or as to any representation or warranty which is expressly qualified by reference to the term "Material Adverse Effect", then in all respects) as if made on and as of the date of this Amendment, except that the following changes have occurred with respect to the Schedules attached to and made part of the Credit Agreement:

(i) Schedule 1 has been modified as a result of the joinder of 23 new Consolidated Subsidiaries, each of whom is now a Guarantor and is executing this Amendment in such capacity, and Supplement to Schedule 1 is attached hereto and made part hereof;

(ii) The first debt issue (issue date 12/13/84) listed on Schedule 3 has been paid;

(iii) Third Replacement Schedule 9 and Schedule 11 attached to this Amendment are deemed incorporated into the Credit Agreement and Supplement to Schedule 1 attached to this Amendment is deemed incorporated into Schedule 1 to the Credit Agreement.

22. Hovnanian acknowledges and confirms that the Pledge Agreement is and shall remain valid, binding, and in full force and effect for the benefit of all of the Banks including without limitation any and all Additional Banks.

23. Contemporaneously with the execution hereof, the Company shall pay an amendment fee, in consideration of the agreements and undertakings of the Banks set forth in this Amendment, as follows:

(a) To each Joining Bank, a payment equal to one-tenth of one percent (.10%) of the amount of the Facility Commitment of each such Bank;

(b) To each Bank (other than the Joining Banks) whose Facility Commitment is increasing, one-tenth of one percent (.10%) of the amount of the increase in the Facility Commitment of each such Bank (as reflected by Third Replacement Schedule 9); and

(c) To each Bank other than the Joining Banks, three-hundredths of one percent (.03%) of the amount of the Facility Commitment of each such Bank in effect prior to the date of this Amendment.

This Amendment shall amend and be deemed incorporated into the Credit Agreement as previously amended. To the extent any provision of this Amendment is expressly inconsistent with any term or provision of the Credit Agreement, as previously amended, the terms and provisions of this Amendment shall control.

24. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed and constitute one and the same instrument.

IN WITNESS WHEREOF, the Company, Hovnanian, the Guarantors, the Banks and the Agent have each executed this Amendment as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.

By: _____
J. Larry Sorsby
Senior Vice President/Finance
and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: _____
J. Larry Sorsby
Senior Vice President/Finance
and Treasurer

0515 CO., INC.
ARROW PROPERTIES, INC.
CEDAR HILL SEWER WORKS CORPORATION
CEDAR HILL WATER WORKS CORPORATION
DRYER ASSOCIATES, INC.
EASTERN NATIONAL TITLE INSURANCE AGENCY, INC.
EASTERN NATIONAL TITLE INSURANCE AGENCY I, INC.
EASTERN TITLE AGENCY, INC.
EXC, INC.
K. HOVNANIAN AT HOPEWELL III INC.

K. HOVNIANIAN AT DOVER TOWNSHIP, INC.
K. HOVNIANIAN AT MONTVILLE, INC.
K. HOVNIANIAN AT ATLANTIC CITY, INC.
HOVNIANIAN AT TARPON LAKES I, INC.
HOVNIANIAN AT TARPON LAKES II, INC
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN GEORGIA, INC.
HOVNIANIAN OF PALM BEACH, INC.
HOVNIANIAN OF PALM BEACH, II, INC.
HOVNIANIAN OF PALM BEACH, III, INC.
HOVNIANIAN OF PALM BEACH, IV, INC.
HOVNIANIAN OF PALM BEACH, V, INC.
HOVNIANIAN OF PALM BEACH, VI, INC.
HOVNIANIAN OF PALM BEACH, VII, INC.
HOVNIANIAN OF PALM BEACH, VIII, INC.
HOVNIANIAN OF PALM BEACH, IX, INC.
HOVNIANIAN OF PALM BEACH, X, INC.
HOVNIANIAN OF PALM BEACH, XI, INC.
MONTEGO BAY II ACQUISITION CORP., INC.
HOVNIANIAN PENNSYLVANIA, INC.
HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY, INC.
HOVNIANIAN TEXAS, INC.
JERSEY CITY DANFORTH CSP, INC.
K. HOVNIANIAN AT ASHBURN VILLAGE
K. HOVNIANIAN AT BARDEN OAKS, INC.
K. HOVNIANIAN AT KINGS GRANT I, INC.
K. HOVNIANIAN AT BERNARDS II, INC.
K. HOVNIANIAN AT PERKIOMEN I, INC.
K. HOVNIANIAN AT BRANCHBURG I, INC.
K. HOVNIANIAN AT BRANCHBURG II, INC.
K. HOVNIANIAN AT BRANCHBURG III, INC.
K. HOVNIANIAN AT BRIDGEWATER V, INC.
K. HOVNIANIAN AT BRIDGEWATER II, INC.
K. HOVNIANIAN AT BRIDGEWATER III, INC.
K. HOVNIANIAN AT BRIDGEWATER IV, INC.
K. HOVNIANIAN AT BULL RUN, INC.
K. HOVNIANIAN AT BURLINGTON, INC.
K. HOVNIANIAN AT CARMEL, INC.
K. HOVNIANIAN AT CAROLINA COUNTY CLUB I, INC.
K. HOVNIANIAN AT CEDAR GROVE I, INC.
K. HOVNIANIAN AT CEDAR GROVE II, INC.
K. HOVNIANIAN AT CHAPEL TRIAL, INC.
K. HOVNIANIAN AT DELRAY BEACH, INC.
K. HOVNIANIAN AT DELRAY BEACH I, INC.
K. HOVNIANIAN AT DELRAY BEACH II, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP II, INC.
K. HOVNIANIAN AT EAST BRUNSWICK II, INC.
K. HOVNIANIAN AT KLOCKNER FARMS, INC.
K. HOVNIANIAN COMPANIES JERSEY SHORE, INC.
K. HOVNIANIAN AT EAST BRUNSWICK
K. HOVNIANIAN AT EMBASSY LAKES INC.
K. HOVNIANIAN AT FAIRWAY VIEWS, INC.
K. HOVNIANIAN AT FT. MYERS I, INC.
K. HOVNIANIAN AT FT. MYERS II, INC.
K. HOVNIANIAN AT GALLOWAY, INC.
K. HOVNIANIAN AT GALLOWAY III, INC.
K. HOVNIANIAN AT GALLOWAY IV, INC.
K. HOVNIANIAN AT GALLOWAY V, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.
K. HOVNIANIAN AT GALLOWAY VII, INC.
K. HOVNIANIAN AT GALLOWAY VIII, INC.
K. HOVNIANIAN AT READINGTON, INC.
K. HOVNIANIAN AT HALF MOON BAY, INC.
K. HOVNIANIAN AT HAMILTON, INC.
K. HOVNIANIAN AT HAMILTON II, INC.
K. HOVNIANIAN AT HOPEWELL I, INC.
K. HOVNIANIAN AT HOPEWELL II, INC.
K. HOVNIANIAN AT JACKSONVILLE I, INC.
K. HOVNIANIAN AT JACKSONVILLE II, INC.
K. HOVNIANIAN AT JENSEN BEACH, INC.
K. HOVNIANIAN AT JERSEY CITY I, INC.
K. HOVNIANIAN AT JERSEY CITY II, INC.
K. HOVNIANIAN AT JERSEY CITY III, INC.
K. HOVNIANIAN AT LAKE CHARLESTOWN, INC.
K. HOVNIANIAN COMPANIES OF NORTH JERSEY, INC.
K. HOVNIANIAN AT LAWRENCE GROVE, INC.
K. HOVNIANIAN AT LAWRENCE SQUARE, INC.
K. HOVNIANIAN AT LAWRENCE SQUARE II, INC.
K. HOVNIANIAN AT WALL TOWNSHIP II, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.
K. HOVNIANIAN AT LOWER SAUCON, INC.
K. HOVNIANIAN AT MAHOPAC, INC.
K. HOVNIANIAN AT MAHWAH I, INC.
K. HOVNIANIAN AT MAHWAH II, INC.
K. HOVNIANIAN AT MAHWAH III, INC.
K. HOVNIANIAN AT MAHWAH IV, INC.
K. HOVNIANIAN AT MAHWAH VI, INC.
K. HOVNIANIAN AT MEDFORD I, INC.
K. HOVNIANIAN AT MONTCLAIR, INC.
K. HOVNIANIAN AT MARTIN DOWNS I, INC.

K. HOVNIANIAN AT MARTIN DOWNS II, INC.
K. HOVNIANIAN AT MERRIMACK, INC.
K. HOVNIANIAN AT MERRIMACK II, INC.
K. HOVNIANIAN AT MONTGOMERY I, INC.
K. HOVNIANIAN AT MONTVILLE, INC.
K. HOVNIANIAN AT WALL TOWNSHIP, INC.
K. HOVNIANIAN AT MORRIS II, INC.
K. HOVNIANIAN AT NEWARK I, INC.
K. HOVNIANIAN AT WALL TOWNSHIP III, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION II, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION III, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION IV, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION V, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK II, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK III, INC.
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.
K. HOVNIANIAN AT ORLANDO I, INC.
K. HOVNIANIAN AT ORLANDO II, INC.
K. HOVNIANIAN AT ORLANDO III, INC.
K. HOVNIANIAN AT ORLANDO IV, INC.
K. HOVNIANIAN AT PALM BEACH XIII, INC.
K. HOVNIANIAN AT PASCO I, INC.
K. HOVNIANIAN AT PASCO II, INC.
K. HOVNIANIAN AT PEEKSKILL, INC.
K. HOVNIANIAN AT PISCATAWAY, INC.
K. HOVNIANIAN AT MONTCLAIR, N.J., INC.
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.
K. HOVNIANIAN AT PLAINSBORO I, INC.
K. HOVNIANIAN AT PORT ST. LUCIE I, INC.
K. HOVNIANIAN AT RIVER OAKS, INC.
K. HOVNIANIAN AT SOMERSET, INC.
K. HOVNIANIAN AT SOMERSET II, INC.
K. HOVNIANIAN AT SOMERSET III, INC.
K. HOVNIANIAN AT SOMERSET V, INC.
K. HOVNIANIAN AT SOMERSET VI, INC.
K. HOVNIANIAN AT SOMERSET VII, INC.
K. HOVNIANIAN AT SOMERSET VIII, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK, INC.
K. HOVNIANIAN AT SPRING RIDGE, INC.
K. HOVNIANIAN AT SULLY STATION, INC.
K. HOVNIANIAN AT TARPON LAKES III, INC.
K. HOVNIANIAN AT TAUTON, INC.
K. HOVNIANIAN AT TINTON FALLS, INC.
K. HOVNIANIAN AT TINTON FALLS II, INC.
K. HOVNIANIAN AT UPPER MERION, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT WALL TOWNSHIP, INC.
K. HOVNIANIAN AT WALL TOWNSHIP V, INC.
K. HOVNIANIAN AT WASHINGTONVILLE, INC.
K. HOVNIANIAN AT WAYNE, INC.
K. HOVNIANIAN AT WESTCHESTER, INC.
K. HOVNIANIAN AT WOODBRIDGE ESTATES, INC.
K. HOVNIANIAN AVIATION, INC.
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN COMPANIES OF MASSACHUSETTS, INC.
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.
K. HOVNIANIAN COMPANIES OF THE DELAWARE VALLEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN EQUITIES, INC.
K. HOVNIANIAN AT MONTVILLE II, INC.
K. HOVNIANIAN INTERNATIONAL, INC.
KINGS GRANT EVESHAM CORP.
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.
K. HOVNIANIAN MARINE, INC.
K. HOVNIANIAN MORTGAGE USA, INC.
K. HOVNIANIAN OF FLORIDA, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB, INC.
K. HOVNIANIAN OF PALM BEACH XIII, INC.
K. HOVNIANIAN AT HANOVER, INC.
MOLLY PITCHER RENOVATIONS, INC.
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.
K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.

K. HOVNIANIAN PROPERTIES OF FRANKLIN II, INC.
K. HOVNIANIAN PROPERTIES OF GALLOWAY II, INC.
K. HOVNIANIAN PROPERTIES OF ORLANDO, INC.
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.
K. HOVNIANIAN PLAINSBORO, II, INC.
K. HOVNIANIAN MONTCLAIR, INC.
LANDARAMA, INC.
K. HOVNIANIAN AT BEDMINSTER, INC.
NEW ENGLAND COMMUNITY MANAGEMENT CO., INC.
NEW K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
PIKE UTILITIES, INC.
PINE BROOK CO., INC.
R.C.K. COMMUNITY MANAGEMENT CO., INC.
RECREATIONAL DEVELOPMENT CORP., INC.
K. HOVNIANIAN AT WALL TOWNSHIP IV, INC.
MONTEGO BAY I ACQUISITION CORP., INC.
SOUTH FLORIDA RESIDENTIAL TITLE AGENCY, INC.
THE HERITAGE CLUB AT HOLMDEL, INC.
THE NEW FORTIS CORPORATION
TROPICAL SERVICE BUILDERS, INC.
WESTERN FINANCIAL SERVICES, INC.
K. HOVNIANIAN COMPANIES OF CENTRAL JERSEY, INC.
K. HOVNIANIAN AT HOLMDEL, INC.
K. HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY,
INC.
K. HOVNIANIAN AT HOLLY CREST, INC.
K. HOVNIANIAN AT LAKE CHARLESTON II, INC.
K. HOVNIANIAN AT LAKE CHARLESTON III, INC.
K. HOVNIANIAN COMPANIES OF NORTH CENTRAL JERSEY,
INC.
KHIPE, INC.
K. HOVNIANIAN INVESTMENT PROPERTIES, INC.
K. HOVNIANIAN AT BELMONT, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.
K. HOVNIANIAN AT PARK RIDGE, INC.
K. HOVNIANIAN AT VALLEYBROOK II, INC.
K. HOVNIANIAN AT WATER'S EDGE, INC.
K. HOVNIANIAN AT WINSTON TRAILS II, INC.
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.
K. HOVNIANIAN AT PEMBROKE ISLES, INC.
K. HOVNIANIAN AT COCONUT CREEK, INC.
GOVERNOR'S ABSTRACT CO., INC.
K. HOVNIANIAN AT POLO TRACE, INC.
K. HOVNIANIAN COMPANIES OF
SOUTH JERSEY, INC.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT WAYNE II, INC.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN COMPANIES OF
CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA
I, INC.
K. HOVNIANIAN DEVELOPMENTS OF
CALIFORNIA, INC.
FOUNDERS TITLE AGENCY, INC.
K. HOVNIANIAN AT CAROLINA
COUNTRY CLUB III, INC.
KHC ACQUISITION, INC.
K. HOVNIANIAN AT FAIR LAKES, INC.
STONEBROOK HOMES, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT BALLANTRAE, INC.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.

By: _____
J. Larry Sorsby
Senior Vice President/Finance
and Treasurer of each of the
foregoing corporations

MIDLANTIC NATIONAL BANK, AS AGENT

By: _____
Name: Douglas G. Paul
Title: Vice President

MIDLANTIC NATIONAL BANK

By: _____

Name: Douglas G. Paul
Title: Vice President

CHEMICAL BANK

By: -----
Name:
Title:

UNITED JERSEY BANK

By: -----
Name:
Title:

NBD BANK, N.A.

By: -----
Name:
Title:

PNC BANK, NATIONAL ASSOCIATION

By: -----
Name:
Title:

MERIDIAN BANK

By: -----
Name:
Title:

NATIONSBANK OF VIRGINIA, N.A.

By: -----
Name:
Title:

FIRST NATIONAL BANK OF BOSTON

By: -----
Name:
Title:

CONTINENTAL BANK

By: -----
Name:
Title:

6-MOS
FEB-28-1995
AUG-31-1994 7,970
0
18,620
0
382,042
452,741 23,095
11,648
588,988
181,122 241,839
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0
165,791
588,988 225,071
237,370 183,755
235,304
0
0
9,453
(7,387)
(1,926)
(5,461) 0
0 0
(5,461)
(0.24)
(0.24)