

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 APRIL 30, 1997 or

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

Commission file number 1-8551

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

Delaware
(State or other jurisdiction or
incorporation or organization)

22-1851059
(I.R.S. Employer
Identification No.)

10 Highway 35, P.O. Box 500, Red Bank, N. J. 07701
(Address of principle 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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,516,977 Class A Common Shares and 7,796,974 Class B Common Shares were outstanding as of June 6, 1997.
HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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Item 6(a). Exhibit 10(a) - Fourth Amendment to Credit Agreement dated May 1997 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, P N C Bank N.A., Chase Manhattan Bank, Corestates Bank N.A., NationsBank N.A., First National Bank of Boston, Bank of America Illinois, First National Bank of Chicago, Comerica Bank, and Credit Lyonnais.

Item 6(b). Exhibit 27 - Financial Data Schedules

Item 6(c). 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	April 30, 1997	October 31, 1996
	-----	-----
Homebuilding:		
Cash and cash equivalents.....	\$ 7,924	\$ 16,535
	-----	-----
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development.....	375,222	314,630
Land and land options held for future development or sale.....	62,081	61,677
	-----	-----
Total Inventories.....	437,303	376,307
	-----	-----
Receivables, deposits, and notes.....	32,712	26,442
	-----	-----
Property, plant, and equipment - net.....	18,422	18,251
	-----	-----
Prepaid expenses and other assets.....	44,043	31,939
	-----	-----
Total Homebuilding.....	540,404	469,474
	-----	-----
Financial Services:		
Cash and cash equivalents.....	575	4,196
Mortgage loans held for sale.....	20,232	57,812
Other assets.....	1,886	3,217
	-----	-----
Total Financial Services.....	22,693	65,225
	-----	-----
Investment Properties:		
Held for sale:		
Rental property - net.....	34,273	
Land and improvements.....	11,574	
Other assets.....	413	
Held for investment:		
Rental property - net.....	11,438	51,892
Land, improvements and land option.....		13,502
Other assets.....	2,945	3,292
	-----	-----
Total Investment Properties.....	60,643	68,686
	-----	-----
Collateralized Mortgage Financing:		
Collateral for bonds payable.....	8,946	9,478
Other assets.....	382	576
	-----	-----
Total Collateralized Mortgage Financing.....	9,328	10,054
	-----	-----
Income Taxes Receivable - Including deferred tax benefits.....	20,834	672
	-----	-----
Total Assets.....	\$653,902	\$614,111
	=====	=====

See notes to consolidated financial statements.

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

	April 30, 1997	October 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY	-----	-----
Homebuilding:		
Nonrecourse land mortgages.....	\$ 26,710	\$ 25,151
Accounts payable and other liabilities.....	30,148	45,146
Customers' deposits.....	24,099	12,371
Nonrecourse mortgages secured by operating properties.....	3,875	3,918
Total Homebuilding.....	84,832	86,586
Financial Services:		
Accounts payable and other liabilities.....	1,001	1,631
Mortgage warehouse line of credit.....	17,930	55,196
Total Financial Services.....	18,931	56,827
Investment Properties:		
Accounts payable and other liabilities.....	651	721
Nonrecourse mortgages secured by rental property..	30,846	31,071
Total Investment Properties.....	31,497	31,792
Collateralized Mortgage Financing:		
Accounts payable and other liabilities.....	26	11
Bonds collateralized by mortgages receivable.....	8,550	9,231
Total Collateralized Mortgage Financing.....	8,576	9,242
Notes Payable:		
Revolving credit agreement.....	142,700	30,000
Subordinated notes.....	190,000	200,000
Accrued interest.....	6,186	6,042
Total Notes Payable.....	338,886	236,042
Total Liabilities.....	482,722	420,489
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 15,581,193 shares (including 596,574 shares held in Treasury).....	156	155
Common Stock, Class B, \$.01 par value-authorized 13,000,000 shares; issued 8,147,608 shares (including 345,874 shares held in Treasury).....	81	82
Paid in Capital.....	33,935	33,935
Retained Earnings.....	143,833	164,749
Treasury Stock - at cost.....	(6,825)	(5,299)
Total Stockholders' Equity.....	171,180	193,622
Total Liabilities and Stockholders' Equity.....	\$653,902	\$614,111
	=====	=====

See notes to consolidated financial statements.

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

Three Months Ended April 30,	Six Months Ended April 30,
-----	-----
1997	1996
-----	-----

Revenues:

Homebuilding:				
Sale of homes.....	\$136,235	\$143,504	\$251,350	\$252,074
Land sales and other revenues.....	2,895	4,505	3,855	6,436
	-----	-----	-----	-----
Total Homebuilding.....	139,130	148,009	255,205	258,510
Financial Services.....	1,928	2,018	3,786	3,668
Investment Properties.....	2,261	2,009	4,488	6,550
Collateralized Mortgage Financing....	207	428	400	875
	-----	-----	-----	-----
Total Revenues.....	143,526	152,464	263,879	269,603
	-----	-----	-----	-----
Expenses:				
Homebuilding:				
Cost of sales.....	117,695	123,141	217,912	217,223
Selling, general and administrative	11,821	11,835	21,717	20,060
Inventory impairment loss.....	13,475		13,475	
	-----	-----	-----	-----
Total Homebuilding.....	142,991	134,976	253,104	237,283
	-----	-----	-----	-----
Financial Services.....	2,408	2,431	4,800	4,781
	-----	-----	-----	-----
Investment Properties:				
Operations.....	1,642	1,703	3,204	3,417
Provision for impairment loss.....	14,446		14,446	
	-----	-----	-----	-----
Total Investment Properties.....	16,088	1,703	17,650	3,417
	-----	-----	-----	-----
Collateralized Mortgage Financing....	224	446	471	921
	-----	-----	-----	-----
Corporate General and Administration.	3,283	3,553	6,877	7,196
	-----	-----	-----	-----
Interest.....	8,016	6,796	13,508	12,396
	-----	-----	-----	-----
Other Operations.....	443	976	1,251	1,710
	-----	-----	-----	-----
Total Expenses.....	173,453	150,881	297,661	267,704
	-----	-----	-----	-----
Income (Loss) Before Income Taxes.....	(29,927)	1,583	(33,782)	1,899
	-----	-----	-----	-----
State and Federal Income Taxes:				
State.....	(123)	296	242	836
Federal.....	(10,662)	39	(13,108)	(685)
	-----	-----	-----	-----
Total Taxes.....	(10,785)	335	(12,866)	151
	-----	-----	-----	-----
Net Income (Loss).....	\$(19,142)	\$ 1,248	\$(20,916)	\$ 1,748
	=====	=====	=====	=====
Earnings (Loss) Per Common Share.....	\$ (0.83)	\$ 0.05	\$ (0.91)	\$ 0.08
	=====	=====	=====	=====

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, October 31, 1996.	15,135,348	\$155	7,901,705	\$82	\$33,935	\$164,749	\$(5,299)	\$193,622
Conversion of Class B to								
Class A Common Stock....	99,971	1	(99,971)	(1)				
Net Income.....						(20,916)		(20,916)
Treasury stock purchases..	(250,700)						(1,526)	(1,526)
Balance, April 30, 1997...	14,984,619	\$156	7,801,734	\$81	\$33,935	\$143,833	\$(6,825)	\$171,180
	=====	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

(In Thousands)

	Six Months Ended April 30,	
	1997	1996
Cash Flows From Operating Activities:		
Net Income (Loss).....	\$ (20,916)	\$ 1,748
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation.....	2,928	2,488
Loss on sale and retirement of property and assets.....	(92)	(1,952)
Deferred income taxes.....	(8,784)	2,466
Impairment losses.....	27,921	
Decrease (increase) in assets:		
Escrow cash.....	2,619	(2,675)
Receivables, prepaids and other assets.....	(17,335)	(16,858)
Mortgage notes receivable.....	38,028	17,121
Inventories.....	(74,471)	(46,275)
Increase (decrease) in liabilities:		
State and Federal income taxes.....	(11,378)	(3,429)
Customers' deposits.....	11,952	6,335
Interest and other accrued liabilities.....	(1,265)	(7,266)
Post development completion costs.....	(4,213)	(126)
Accounts payable.....	(10,271)	(14,215)
Net cash used in operating activities.....	(65,277)	(62,638)
Cash Flows From Investing Activities:		
Proceeds from sale of property and assets.....		2,238
Purchase of property.....	(1,580)	(3,195)
Investment in and advances to unconsolidated affiliates.....	49	3,642
Investment in income producing properties.....	(7,647)	(823)
Net cash provided by (used) in investing activities.....	(9,178)	1,862
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes.....	485,153	559,398
Principal payments on mortgages and notes.....	(409,123)	(508,521)
Principal payments on subordinated debt.....	(10,000)	
Investment in mortgage notes receivable.....	535	1,694
Purchase of treasury stock.....	(1,526)	
Net cash provided by financing activities...	65,039	52,571
Net Decrease In Cash.....	(9,416)	(8,205)
Cash Balance, Beginning Of Period.....	15,323	11,914
Cash Balance, End Of Period.....	\$ 5,907	\$ 3,709

See notes to consolidated financial statements.

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

1. The consolidated financial statements, except for the October 31, 1996 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. Certain expenses which had been previously reported as selling, general and administration were reclassified to cost of sales. These costs include sales commissions, buyer concessions, the amortization of prepaid selling expenses, property taxes and condominium association subsidies. The amount reclassified for the three and six months ended April 30, 1997 was \$7,625,000 and \$13,412,000, respectively. In addition, the revenues and expenses of the Company's title division have been reclassified out of homebuilding and other operations, respectively, into the financial services section of the consolidated statements of income. The amount of title revenues and expenses reclassified for the three months ended April 30, 1997 was \$689,000 and \$662,000, respectively, and for the six months ended April 30, 1996 was \$1,218,000 and \$1,198,000, respectively.

3. Interest costs incurred, expensed and capitalized were:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
(Dollars in Thousands)				
Interest Incurred (1):				
Residential (3).....	\$ 7,108	\$ 7,587	\$ 13,692	\$ 14,672
Commercial(4).....	1,296	1,391	2,613	2,901
Total Incurred.....	\$ 8,404	\$ 8,978	\$ 16,305	\$ 17,573
Interest Expensed:				
Residential (3).....	\$ 6,720	\$ 5,405	\$ 10,895	\$ 9,495
Commercial (4).....	1,296	1,391	2,613	2,901
Total Expensed.....	\$ 8,016	\$ 6,796	\$ 13,508	\$ 12,396
Interest Capitalized at				
Beginning of Period.....	\$ 41,551	\$ 39,030	\$ 39,152	\$ 36,182
Plus Interest Incurred.....	8,404	8,978	16,305	17,573
Less Interest Expensed.....	8,016	6,796	13,508	12,396
Less Charges to Reserves....	92	104	102	251
Less Impairment Adjustments.	945		945	
Interest Capitalized at				
End of Period.....	\$ 40,902	\$ 41,108	\$ 40,902	\$ 41,108
Interest Capitalized at				
End of Period (5):				
Residential(3).....	\$ 33,772	\$ 34,610	\$ 33,772	\$ 34,610
Commercial(2).....	7,130	6,498	7,130	6,498
Total Capitalized.....	\$ 40,902	\$ 41,108	\$ 40,902	\$ 41,108

- (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 interest expense when homes are delivered.
- (4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
- (5) Commercial interest includes \$831,000 reported at October 31, 1996 as capitalized residential interest. This reclassification is a result of the transfer of land and related capitalized interest from homebuilding to investment properties.

4. Homebuilding accumulated depreciation at April 30, 1997 and October 31, 1996 amounted to \$16,456,000 and \$14,970,000, respectively. Rental property accumulated depreciation at April 30, 1997 and October 31, 1996 amounted to \$12,242,000 and \$11,108,000, respectively.

5. In accordance with FAS 121, the Company records impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. As of April 30, 1997 inventory with a carrying amount of \$27,510,000 was written down to its fair value. The total amount of this writedown was \$8,714,000. This is principally attributed to a \$5,364,000 writedown of the Company's investment in Florida communities. This writedown is based upon management's decision to reduce its investment in Florida by accelerating sales through the reduction of sales prices and offering pricing concessions. The remainder of the writedown is attributable to one community in New Jersey and one in Pennsylvania. The FAS 121 calculations were based on the Company's evaluation of the expected revenue less costs to complete including interest and selling costs. In addition, the Company also recorded a \$4,761,000 write-off of certain residential land options including approval, engineering and capitalized interest costs for two properties in New Jersey and one in Pennsylvania.

The Company has decided to exit from the investment properties business. As a result, all commercial properties will no longer be held for use, but will be held for sale. This resulted in FAS 121 impairment losses on certain investment properties. The impairment losses are a result of the properties carrying amounts exceeding their fair value less selling costs. As of April 30, 1997, properties with a carrying amount of \$33,820,000 were written down to their fair value. The total amount of this writedown was \$12,690,000. The Company also recorded a \$1,756,000 write-off of a commercial land option

including approval, engineering and capitalized interest costs. The writedowns and write-offs for the quarter ended April 30, 1997 are attributable to commercial properties in both New Jersey and Florida.

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 April 30, 1997 were for operating expenses, seasonal increases in housing inventories, construction, income taxes, interest, the reduction of subordinated notes, and the repurchase of common stock. The Company provided for its cash requirements from the revolving credit facility, land purchase notes, 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.

In December 1996 the Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of June 6, 1997, 723,100 shares were repurchased under this program.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to \$245,000,000 (the "Revolving Credit Facility") through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or Libor plus 1.625%. The Company recently extended the Agreement one year and believes that it will be able either to extend the Agreement beyond March 2000 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of April 30, 1997, borrowings under the Agreement were \$142,700,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of April 30, 1997 was \$190,000,000. During the six months ended April 30, 1997, the Company reduced its subordinated debt by \$10,000,000. Annual sinking fund payments of \$10,000,000 and \$20,000,000 are required in April 2000 and 2001, respectively, with additional payments of \$60,000,000 and \$100,000,000 due in April 2002 and June 2005, respectively.

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 April 30, 1997, the aggregate principal amount of all such borrowings was \$26,480,000.

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

	April 30, 1997	October 31, 1996
	-----	-----
Residential real estate inventory.....	\$437,303,000	\$376,307,000
Residential rental property.....	11,438,000	12,190,000
	-----	-----
Total Residential Real Estate.....	448,741,000	388,497,000
Commercial properties.....	45,847,000	53,204,000
	-----	-----
Combined Total.....	\$494,588,000	\$441,701,000
	=====	=====

Total residential real estate increased \$60,244,000 during the six months ended April 30, 1997 primarily as a result of an inventory increase of \$81,614,000, which was partially offset by the reallocation of land and approval costs to commercial properties (see below), the writedown of certain communities under development or land held for sale, and the write-off of optioned parcels of land and related approval, engineering and capitalized interest costs. See "Notes to Consolidated Financial Statements - Note 5." The increase in residential real estate inventory was primarily due to the Company's seasonal increase in construction activities for deliveries later this year. Substantially all residential homes under construction or completed and included in real estate inventory at April 30, 1997 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 selling

communities under development (including Poland):

	Communities	Approved Lots	Homes Delivered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
April 30, 1997.....	80	14,342	4,858	2,047	7,437
October 31, 1996.....	85	12,942	4,613	1,479	6,850

(1) Includes 68 and 274 lots under option at April 30, 1997 and October 31, 1996, respectively.

(2) Of the total home lots available, 509 and 528 were under construction or complete (including 120 and 106 models and sales offices), 1,948 and 1,762 were under option, and 1,210 and 1,280 were financed through purchase money mortgages at April 30, 1997 and October 31, 1996, respectively.

In addition, at April 30, 1997 and October 31, 1996, respectively, in substantially completed or suspended communities, the Company owned or had under option 558 and 448 home lots. 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 April 30, 1997 the Company controlled such land to build 9,552 proposed homes, compared to 13,083 homes at October 31, 1996.

The following table summarizes the Company's started or completed unsold homes in active, substantially complete and suspended communities:

	April 30, 1997			October 31, 1996		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	247	78	325	242	71	313
North Carolina.....	57	--	57	68	--	68
Florida.....	213	7	220	51	10	61
Virginia.....	13	9	22	18	3	21
California.....	36	24	60	67	24	91
Poland.....	9	2	11	2	2	4
Total	575	120	695	448	110	558

The Company's commercial properties represent investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). At April 30, 1997, the Company had long-term non-recourse financing aggregating \$30,846,000 on six commercial facilities, a decrease from October 31, 1996, due to \$225,000 in principal amortization. The decrease in commercial properties of \$7,357,000 is primarily the result of the writedown of certain facilities and land held for sale to fair value and the write-off of an optioned parcel of land and related approval, engineering and capitalized interest costs totaling \$14,446,000. The writedowns and write-off were partially offset by the reallocation of land and approval costs on a multi-use parcel of land. As a result of the reallocation, \$7,143,000 was added to investment properties under development from homebuilding land held for future development. See "Notes to Consolidated Financial Statements - Note 5."

Collateral Mortgage Financing - collateral for bonds payable consist of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which \$19,519,000 and \$57,095,000 at April 30, 1997 and October 31, 1996, 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.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 1997 COMPARED TO THE THREE AND SIX MONTHS ENDED APRIL 30, 1996

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprising of New Jersey, southern New York State and eastern Pennsylvania), North Carolina, southeastern

Florida, northern Virginia, southwestern California and Poland. In addition, the Company develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida, but is exiting this business (see "Investment Properties" below).

At October 31, 1996, the Company reclassified certain expenses previously reported as selling, general and administration to cost of sales. These costs include sales commissions, buyer concessions, the amortization of prepaid selling expenses, property taxes and condominium association subsidies. The amount of reclassifications for the three and six months ended April 30, 1997 was \$7,625,000 and \$13,412,000, respectively. In addition, the Company reclassified its title revenues previously reported as other homebuilding revenues to financial services revenues, and title expenses from other operation expenses to financial service expenses. The amount of title revenues and expenses reclassified for the three months ended April 30, 1996 was \$689,000 and \$662,000, respectively, and for the six months ended April 30, 1996 was \$1,218,000 and \$1,198,000, respectively.

Historically, the Company's first six months of the year has produced substantially fewer deliveries than the last six months. This was true in fiscal 1996 when the Company delivered 33% of its homes during the first six months. Management believes this will be true for fiscal 1997. During the past few years the Company has been able to produce a profit on this lower volume. That is not the case in fiscal 1997. Although the Company's Northeast Region and North Carolina Division produced profits, compared to the six months ended April 30, 1996, profits were lower due to decreased gross margins. These profits were offset by increased losses in Florida and Virginia due to fewer homes delivered, losses from its other operations, writedown of certain assets to their fair values, and the write-off of four options and related approval, engineering and capitalized interest costs. See "Notes to Consolidated Financial Statements - Note 5." Due to the writedowns and write-offs, management does not believe the Company will be profitable in fiscal 1997. Management feels operating profits before these adjustments will approximate fiscal 1996 results.

Important indicators of the future results of the Company are recently signed contracts and home contract backlog for future deliveries. The Company's sales contracts and homes in contract (using base sales prices) by market area is set forth below:

	Sales Contracts for the Six Months Ended April 30,		Contract Backlog as of April 30,	
	1997	1996	1997	1996
	(Dollars in Thousands)			
Northeast Region:				
Dollars.....	\$211,384	\$203,361	\$286,424	\$253,043
Homes.....	1,099	1,122	1,401	1,325
North Carolina:				
Dollars.....	\$ 67,494	\$ 62,730	\$ 62,851	\$ 60,703
Homes.....	366	380	333	361
Florida:				
Dollars.....	\$ 31,107	\$ 60,318	\$ 39,276	\$ 60,103
Homes.....	185	404	222	398
Virginia:				
Dollars.....	\$ 7,757	\$ 9,284	\$ 5,764	\$ 8,881
Homes.....	37	47	27	42
California:				
Dollars.....	\$ 38,651	\$ 27,705	\$ 16,317	\$ 18,143
Homes.....	191	149	85	95
Poland:				
Dollars.....	\$ 2,075	-	\$ 3,088	-
Homes.....	28	-	42	-
Totals:				
Dollars.....	\$358,468	\$363,398	\$413,720	\$400,873
Homes.....	1,906	2,102	2,110	2,221

Reduced sales contracts and below average return on investment in the Florida Division have resulted in Management's decision to decrease the Company's investment in this division by approximately \$25.0 million. As a result, certain communities were written down due to reduced sales prices and increased buyer concessions to accelerate sales. In addition, other idle property was written down since it will be offered for sale and not developed. See "Notes to Consolidated Financial Statements - Note 5."

Total Revenues:

Revenues for the three months ended April 30, 1997 decreased \$8.9 million or 5.9%, compared to the same period last year. This was a result of decreased revenues from sale of homes of \$7.3 million, a \$1.6 million decrease in land sales and other homebuilding revenues, a \$0.1 million decrease in financial services revenues, and a \$0.2 million decrease in collateralized mortgage financing revenues. These decreases were partially offset by a \$0.3 million increase in investment properties revenues.

Revenues for the six months ended April 30, 1997 decreased \$5.7 million or 2.1%, compared to the same period last year. This was a result of decreased revenues from the sale of homes of \$0.7 million, a \$2.6 million decrease in land sales and other homebuilding revenues, a \$2.0 million decrease in investment properties revenues, and a \$0.5 million decrease in collateralized mortgage financing revenues. These decreases were partially offset by a \$0.1 million increase in financial services revenues.

Homebuilding:

Revenues from the sale of homes decreased \$7.3 million or 5.1% during the three months ended April 30, 1997, and decreased \$0.7 million or 0.3% during the six months ended April 30, 1997 compared to the same periods last year. Revenues from sales of homes 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 April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
(Dollars in Thousands)				
Northeast Region:				
Housing Revenues.....	\$ 70,678	\$ 81,950	\$134,118	\$137,315
Homes Delivered.....	345	402	675	682
North Carolina:				
Housing Revenues.....	\$ 26,341	\$ 24,445	\$ 48,383	\$ 45,507
Homes Delivered.....	139	148	266	272
Florida:				
Housing Revenues.....	\$ 17,042	\$ 20,890	\$ 30,870	\$ 38,768
Homes Delivered.....	101	132	180	249
Virginia:				
Housing Revenues.....	\$ 3,018	\$ 3,200	\$ 6,425	\$ 7,597
Homes Delivered.....	16	12	34	33
California:				
Housing Revenues.....	\$ 18,489	\$ 13,019	\$ 30,822	\$ 22,887
Homes Delivered.....	95	69	152	121
Poland:				
Housing Revenues.....	\$ 667	--	\$ 732	--
Homes Delivered.....	10		11	
Totals:				
Housing Revenues.....	\$136,235	\$143,504	\$251,350	\$252,074
Homes Delivered.....	706	763	1,318	1,357

The decreased number of homes delivered for the three and six months ended April 30, 1997, compared to the prior year, was primarily due to the decreases in the Company's Northeast Region and Florida offset somewhat by increases in California. Due to the timing of the opening of new communities in the Northeast Region, fewer homes were delivered during the three months ended April 30, 1997. In Florida, the Company entered the year with a lower backlog of sales contracts at November 1, 1996 than at November 1, 1995. A lower backlog coupled with significantly fewer Florida sales contracts due to a highly competitive market resulted in fewer deliveries.

During the three months ended April 30, 1997 the Company has written down certain residential communities, and written off certain residential land options including approval, engineering and capitalized interest costs. The writedowns and write-offs amounted to \$13,475,000. In Florida the Company's return on investment has been unsatisfactory. As a result, the Company has decided to reduce its investment in Florida by \$25.0 million. To do so on an

accelerated basis, it has reduced prices and offered pricing concessions in all Florida residential communities. The Company has also decided to sell all inactive properties in Florida. In the Northeast Region the Company changed the product type to be constructed on a parcel of land it owns. Also in the Northeast the Company has decided to sell an optioned property instead of developing a community. The result of the above decisions was a reduction in fair values below carrying amounts and, in accordance with FAS 121, the Company recorded an impairment loss on the related inventories. See "Notes to Consolidated Financial Statements - Note 5." The Northeast Region also wrote off three option properties and related approval, engineering and capitalized interest costs. In two cases the Company decided to drop the option due to environmental problems. The third option was dropped because the community's proforma profitability did not produce an adequate return on investment commensurate with the risk.

Cost of sales include expenses for housing and land and lot sales. A breakout of such expenses for housing sales and housing gross margin is set forth below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
	(Dollars in Thousands)			
Sale of Homes.....	\$136,235	\$143,504	\$251,350	\$252,074
Cost of Sales.....	116,522	120,222	216,305	213,300
Housing Gross Margin.....	\$ 19,731	\$ 23,282	\$ 35,045	\$ 38,774
Gross Margin Percentage.....	14.4%	16.2%	13.9%	15.4%

Cost of Sales expenses as a percentage of home sales revenues are presented below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
Sale of Homes.....	100.0%	100.0%	100.0%	100.0%
Cost of Sales:				
Housing, land & development costs....	76.9%	74.7%	76.9%	75.2%
Commissions.....	2.0%	1.6%	2.0%	1.7%
Financing concessions..	0.9%	1.0%	0.9%	1.0%
Overheads.....	5.8%	6.5%	6.3%	6.7%
Total Cost of Sales.....	85.6%	83.8%	86.1%	84.6%
Gross Margin.....	14.4%	16.2%	13.9%	15.4%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and of home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. For the three and six months ended April 30, 1997 the Company's gross margin decreased 1.8% and 1.5%, respectively, compared to the same periods last year. This can primarily be attributed to lower gross margins in the Northeast Region, Florida, and North Carolina and the change in geographic product mix. The decline in the Northeast Region's gross margin can be principally attributed to fewer deliveries in the Company's higher margined adult and Jersey Shore communities. In Florida, the gross margin is lower due to increased pricing concessions to accelerate sales. North Carolina's lower gross margin is primarily attributed to a change in product mix, increased lot costs and concessions on started unsold homes. The geographic product mix shifted 5.2% and 1.0% to lower margined homes outside the Northeast Region for the three and six months ended April 30, 1997, respectively, compared to the same periods last year.

Selling, general, and administrative expenses were unchanged during the three months ended April 30, 1997 and increased \$1.7 million during the six months ended April 30, 1997 compared to the same periods last year. As a percentage of home revenues, such expenses increased to 8.7% for the three months ended April 30, 1997 from 8.2% for the prior year three months, and

increased to 8.6% for the six months ended April 30, 1997 from 8.0% for the prior year six months. The dollar and percentage increase in selling, general and administrative expenses is principally due to increased general and administrative expenses in the Northeast Region.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales. A breakout of land and lot sales is set forth below:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
Land and Lot Sales.....	\$ 1,352	\$ 3,476	\$ 1,896	\$ 4,669
Cost of Sales.....	1,173	2,919	1,607	3,923
Land and Lot Sales Gross Margin...	\$ 179	\$ 557	\$ 289	\$ 746

Land and lot sales are incidental to the Company's residential housing operations and are expected to continue in the future but may significantly fluctuate up or down.

Financial Services

Financial services consist primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market. In addition, title insurance activities have been reclassified from other housing operations to financial services, as noted above. For the six months ended April 30, 1997 compared to the six months ended April 30, 1996, the loss resulting from financial services decreased by \$0.1 million. This was a direct result of the Company's wholly-owned mortgage banking subsidiary originating mortgages at a lower cost, as well as higher interest rate spreads, offset by reduced revenues due to fewer deliveries by the Company's housing operations.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from the sale of such property. At April 30, 1997, the Company owned and was leasing two office buildings, three office/warehouse facilities, two retail centers, and two senior citizen rental communities in New Jersey. During the first quarter of fiscal 1996 the Company sold a retail center and reported a pretax profit of \$1.9 million. Investment Properties expenses do not include interest expense which is reported below under "Interest."

During the three months ended April 30, 1997 the Company announced that it is planning an orderly exit from the investment properties business. The Company plans to sell its investment properties (except for the two senior citizen rental communities) which will generate approximately \$35.0 million to be redeployed in its residential homebuilding business. Management believes redeployment of this capital will enhance future profitability of the Company. In accordance with FAS 121, the Company reevaluated such properties as held for sale. Since certain investment properties' carrying amounts exceeded the fair value less selling costs, an impairment loss was recorded against the related asset. These writedowns were in New Jersey and Florida. See "Notes to Consolidated Financial Statements - Note 5." In New Jersey the Company also wrote off an option and related approval, engineering and capitalized interest costs. The writedowns and write-offs of investment properties amounted to \$14,446,000.

Collateralized Mortgage Financing

In the years prior to February 29, 1988 the Company pledged mortgage loans originated by its mortgage banking subsidiaries against collateralized mortgage obligations ("CMO's"). Subsequently the Company discontinued its CMO program. As a result, CMO operations are diminishing as pledged loans are decreasing through principal amortization and loan payoffs, and related bonds are reduced. In recent years, as a result of bonds becoming callable, the Company has also sold a portion of its CMO pledged mortgages.

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. Corporate general and administration expenses dropped \$0.3 million for both the three and six months ended April 30, 1997 compared to the same periods last year. As a percentage of total revenues such expenses were approximately 2.6% and 2.7% for the three and six months ended April 30, 1997 and 1996, respectively.

Interest

Interest expense includes housing, land and lot, and rental properties interest. Interest expense is broken down as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
	1997	1996	1997	1996
Sale of Homes.....	\$ 6,586	\$ 5,149	\$10,658	\$ 9,199
Land and Lot Sales.....	134	256	237	296
Rental Properties.....	1,296	1,391	2,613	2,901
Total.....	\$ 8,016	\$ 6,796	\$13,508	\$12,396

Housing interest as a percentage of sale of homes revenues amounted to 4.8% and 4.2% for the three and six months ended April 30, 1997, respectively, and 3.6% and 3.6% for the three and six months ended April 30, 1996, respectively. The increase in the percentage for the three and six months ended April 30, 1997 was primarily the result of the Company discontinuing the capitalization of interest on communities in planning which are not under active development. As a result, interest expense increased \$1.0 million in these periods.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses and corporate owned life insurance loan interest. The Company's title operation expenses have been reclassified to financial services.

Total Taxes

Total tax credits for the three and six months ended April 30, 1997 were \$10.8 million and \$12.9 million, respectively. Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

Inflation

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. 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 April 15, 1997 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 votes 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
.. Desmond P. McDonald
.. Peter S. Reinhart
.. John J. Schimpf
.. J. Larry Sorsby
.. Stephen D. Weinroth

. Ratification of selection of Ernst & Young, LLP as certified independent accountants for fiscal year ending October 31, 1997.

.. Votes For	12,781,331
.. Votes Against	44,234
.. Abstain	77,771

. Approval of amendments to the Company's Cash Bonus Plan.

.. Votes For	12,489,547
.. Votes Against	354,070
.. Abstain	59,719

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: June 13, 1997

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

DATE: June 13, 1997

/S/PAUL W. BUCHANAN
Paul W. Buchanan,
Senior Vice President
Corporate Controller

6-MOS
OCT-31-1997
APR-30-1997
8,499
0
32,712
0
437,303
569,129
33,831
15,409
653,902
249,451
233,271
237
0
0
170,943
653,902
253,246
263,879
217,912
284,153
0
0
13,508
(33,782)
(12,866)
(20,916)
0
0
0
(20,916)
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This Fourth Amendment to Credit Agreement ("Fourth Amendment") dated as of the 13th day of May, 1997 among K. Hovnanian Enterprises, Inc. ("Company"), Hovnanian Enterprises, Inc. ("Hovnanian"), the subsidiaries of Hovnanian listed on the signature pages of this Fourth Amendment (each, together with Hovnanian, a "Guarantor" and collectively the "Guarantors") and PNC Bank, National Association (formerly known as Midlantic Bank, N.A.) ("PNC"), The Chase Manhattan Bank (formerly Chemical Bank) ("Chase"), CoreStates Bank, N.A. (formerly Meridian Bank) ("CoreStates"), NationsBank, National Association ("NationsBank"), First National Bank of Boston ("Bank of Boston"), Bank of America Illinois ("B of A Illinois"), The First National Bank of Chicago ("First of Chicago"), Comerica Bank ("Comerica") and Credit Lyonnais New York Branch ("Credit Lyonnais") (each such banking institution individually referred to as a "Bank" and collectively as the "Banks"), and PNC Bank, National Association (formerly known as Midlantic Bank, N.A.), 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 was amended by a certain Amendment to Credit Agreement dated as of July 19, 1994 (the "Amendment"), a certain Second Amendment to Credit Agreement dated as of April 28, 1995 ("Second Amendment") and a certain Third Amendment to Credit Agreement dated as of June 4, 1996 ("Third Amendment") and may be further amended or supplemented from time to time, the "Credit Agreement"), the Banks named therein 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 to a certain Joinder Agreement and related agreements dated December 8, 1993, PNC Bank, National Association ("PNC") joined in the Revolving Credit Commitment and thereby became an Additional Bank under the Credit Agreement;

WHEREAS, pursuant to a certain Joinder Agreement ("Meridian Joinder") and related agreements dated January 26, 1994, Meridian (now known as CoreStates Bank, N.A.) joined in the Revolving Credit Commitment and has thereby become an Additional Bank under the Credit Agreement;

WHEREAS, pursuant to the Amendment, NationsBank, Bank of Boston, and Continental Bank (now known as Bank of America Illinois) joined in the Revolving Credit Commitment and thereby became Additional Banks thereunder, and the parties made certain other modifications in their financing arrangements;

WHEREAS, pursuant to Section 8.7(c) of the Credit Agreement and to a certain Joinder Agreement and related agreements dated August 31, 1994, Bank of America National Trust and Savings Association ("B of A") joined in the Revolving Credit Commitment and thereby became the Additional Bank referred to in said Section 8.7(c) of the Credit Agreement resulting in an increase in the total amount of Revolving Credit Commitments to \$215,000,000;

WHEREAS, B of A Illinois has obtained by assignment the Revolving Credit Commitment, Revolving Credit Note and outstanding Revolving Credit Loans of B of A and has succeeded to the rights, title, interest and obligations of B of A with respect thereto and under the Credit Agreement and related agreements and documents;

WHEREAS, as of the date of the Third Amendment, First of Chicago obtained by assignment the Revolving Credit Commitment, Revolving Credit Note and outstanding Revolving Credit Loans of NBD Bank ("NBD") and succeeded to the rights, title, interest and obligations of NBD with respect thereto and under the Credit Agreement and related agreements and documents;

WHEREAS, as of the date of the Third Amendment, Midlantic (now known as PNC Bank, National Association) obtained by assignment the Revolving Credit Commitment, Revolving Credit Note and outstanding Revolving Credit Loans of PNC and succeeded to the rights, title, interest and obligations of PNC with respect thereto and under the Credit Agreement and related agreements and documents;

WHEREAS, as of the date of the Third Amendment, the Revolving Credit Commitment of Summit Bank (formerly known as United Jersey Bank) in the amount of \$20,000,000 was terminated and all outstanding Revolving Credit Loans (with interest accrued to the date of payment) owed to such Bank were thereupon paid in full;

WHEREAS, pursuant to the terms of the Third Amendment, Comerica and Credit

Lyonnais joined in the Revolving Credit Commitment (each in the amount of \$20,000,000) and thereby became Additional Banks under the Credit Agreement; 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 Fourth 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. The definitions of "Commitment Termination Date," "Initial Libor Margin," "Initial Prime Margin," "Libor," "Libor Based Rate," "Prime Based Rate" and "Prime Rate" contained in Paragraph 1.1 of the Loan Agreement are hereby deleted and respectively replaced in their entirety by the following new definitions:

"Commitment Termination Date" shall mean, with respect to each Bank, March 31, 2000, 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.

"Initial Libor Margin" shall mean 200 basis points prior to the date of the Third Amendment, 175 basis points between the date of the Third Amendment and the date of the Fourth Amendment, and 162.5 basis points thereafter.

"Initial Prime Margin" shall mean 50 basis points prior to the date of the Third Amendment, 25 basis points between the date of the Third Amendment and the date of the Fourth Amendment, and 12.5 basis points thereafter.

"Libor" shall mean, with respect to a specified Interest Period, that rate of interest per annum determined by the Agent (whose determination shall be final and conclusive save for any manifest error) to be equal to the average of the rates per annum (set forth on Telerate display page 3750 or such other display page on the Telerate System as may replace such page to evidence the average of rates quoted by banks designated by the British Bankers' Association (or appropriate successor or, if the British Bankers' Association or its successor ceases to provide such quotes, a comparable replacement determined by the Agent) at which deposits of United States Dollars of an amount comparable to the amount of the borrowing hereunder or the outstanding principal amount, as the case may be, from the Banks, and for a period equal to the duration of the specified Interest Period, are offered to the Agent in the London Interbank Eurodollar Market at or about eleven a.m. (London time) on the second Business Day immediately preceding the first day of such Interest Period for delivery on the first day of such Interest Period.

"Libor Based Rate" shall mean, with respect to a specified Interest Period, that rate of interest per annum which is equal to Libor as determined by the Agent plus the Applicable Libor Margin, plus, the cost (as determined by the Agent whose determination shall be final and conclusive save for manifest error) of maintaining the Reserve Percentage required for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Regulations of the Board of Governors of the Federal Reserve System).

"Prime Rate" shall mean the fluctuating rate of interest announced from time to time by the Agent as its "prime rate," "prime lending rate," "base rate" or "base lending rate." This rate of interest is determined from time to time by the Agent as a means of pricing some loans to customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by the Agent or any Bank to any particular class or category of customers of the Agent or any Bank.

"Prime Based Rate" shall mean that rate of interest per annum which is equal to the Prime Rate of the Agent, plus the Applicable Prime Margin. Notwithstanding anything to the contrary contained in, or any calculation otherwise resulting from, the definition of Adjusted Prime Margin, the Prime Based Rate shall at no time be less than the Prime Rate.

3. The following new definitions are hereby added to and deemed incorporated into (in their respective alphabetical order) Section 1.1 of the Credit

Agreement:

"Federal Funds Rate" means on any one day the weighted average of the rate on overnight Federal Funds Transactions with members of the Federal Reserve System only arranged by Federal Funds Brokers as published as of such day by the Federal Reserve Bank of New York or if not so published, the rate then used by First Class Banks in extending overnight loans to other First Class Banks.

"Fourth Amendment" means that certain Fourth Amendment to Credit Agreement dated May __, 1997 among the Company, the Guarantors identified therein, the Banks identified therein and the Agent.

4. The definition of "Loan Percentage" in Paragraph 1.1 of the Credit Agreement is modified to delete therefrom the words "as of the date of acceleration of the obligations of Company to the Banks hereunder" and replace them with the words "as of the date a remittance is to be made by the Agent to the Banks hereunder."

5. Paragraph 2.1 of the Credit Agreement is modified to (a) delete the "," after the word "Percentages" in the 17th line of such paragraph and replace it with a "." and (b) delete all the words in such paragraph beginning with the word "provided" in the 17th line and ending with the words "Subsection 2.2" in the 29th line.

6. Paragraph 2.4(a) of the Credit Agreement is modified to (a) delete from the 2nd line thereof the words "each relevant Bank" and replace them with the words "the Agent" and (b) delete from the 4th line thereof the words "one (1) Business Day's" and insert in the 5th line thereof the words "on the day the Revolving Credit Loan is to be made" after the words "irrevocable notice thereof."

7. Paragraph 2.4 of the Credit Agreement is modified to add a new subparagraph (c) to read as follows:

(c) (i) All requests by the Company for Revolving Credit Loans shall be made by 11:00 a.m., New Jersey time, on the day specified in subparagraph (a) hereof. Upon receiving a request for a Revolving Credit Loan in accordance with subparagraphs (a) and (c) hereof, Agent shall notify all Banks of the request as soon as practical thereafter in writing by facsimile transmission, but no later than twelve o'clock (12:00) noon, New Jersey time or as soon as is reasonably practicable thereafter. Each Bank shall remit its applicable Revolving Credit Commitment Percentage of the requested Revolving Credit Loan to Agent by remitting federal funds immediately available, to Agent pursuant to Agent's instructions prior to two-thirty (2:30) p.m. New Jersey time on the date the Revolving Credit Loan is to be made. Subject to the satisfaction of the terms and conditions hereof, Agent shall make the requested Revolving Credit Loan available to the Company (to the extent of those portions of the Revolving Credit Loan actually received from the Banks) by crediting such amount to the Company's operating account with Agent as soon as reasonably practicable after two-thirty (2:30)p.m. New Jersey time on the day the requested Revolving Credit Loan is to be made. If any Bank fails to make available to the Agent on a timely basis, as provided above, its applicable share of the requested Revolving Credit Loan, the Agent shall also be entitled to advance on behalf of such Bank, at the sole discretion of the Agent, the share of such Bank and then recover from such Bank (together with the amount so advanced) interest at the Federal Funds Rate on such unpaid share for each day such amount is not so remitted to the Agent.

(ii) All requests by the Company for Swing Line Loans shall be made by two o'clock (2:00) p.m. New Jersey time, on the day such Loan is to be made and, subject to the terms and conditions of this Agreement, the Swing Line Lender shall make the requested Swing Line Loan available to the Company by crediting such amount to the Company's operating account with Agent as soon as reasonably practicable thereafter.

8. Paragraph 2.5 of the Credit Agreement is modified to delete (beginning in the 3rd line thereof) the words "respective offices of the Banks as stated in the respective Notes, or at such other place as any Bank may from time to time designate" and replace them with the words "offices of the Agent, for the benefit of each Bank, as set forth in this Agreement, or at such other place as the Agent may from time to time designate."

9. Paragraph 2.7 of the Credit Agreement is modified to (a) delete the parenthetical in the 8th through 10th lines thereof, (b) delete from the 4th to the last and 3rd to the last lines thereof the words "except as otherwise required to achieve compliance with Subsection 6.2(w) hereof," and (c) delete the words "each relevant Bank" from the 6th to the last line of such paragraph and replace them with the words "the Agent".

10. Notwithstanding any term or provision to the contrary contained in

Paragraph 2.8 of the Credit Agreement, the following administrative procedures shall hereafter be applicable with respect to the issuance of Letters of Credit under the Credit Agreement:

(a) The Company shall provide to the Agent a copy of each application submitted to an LOC Bank for the issuance of a Letter of Credit, contemporaneously with the submission thereof to such LOC Bank. The LOC Bank shall provide to the Agent a copy of each Letter of Credit, and each amendment to a Letter of Credit, upon issuance thereof.

(b) The original of each bill from an LOC Bank for administrative or amendment fees with respect to Letters of Credit shall be forwarded to the Agent which shall provide the Company not later than the fifth day of each month, with a monthly bill covering administrative and amendment fees as well as commissions for new and renewed Letters of Credit (based upon Letter of Credit documentation and bills provided to the Agent). For the purposes of such billing procedure, the Agent shall use a commission period equal to the lesser of six (6) months or the term of the Letter of Credit. Payments by the Company of such billings shall be made not later than the last day of the month in which it receives the above described billing.

11. Paragraph 3.1(a) of the Credit Agreement is modified to (a) delete the words "such Bank" from the 7th line thereof and replace them with the words "under the terms hereof," (b) delete the words "or such other period as may be permitted by any Bank" from the 12th line thereof, (c) delete the words "such Bank" in the 13th line thereof and replace them with the words "the Agent," and (d) add the following as a new last sentence to such paragraph: "At no time shall the Banks be obligated to advance more than six (6) Revolving Credit Loans in any calendar month, provided however that if such monthly maximum has been reached, the Company may nevertheless request additional Revolving Credit Loans from the Banks (subject to the conditions precedent specified in Subsection 5.2 hereof), only to the extent necessary to satisfy its obligation set forth in the next to last sentence of Subsection 2.2 hereof."

12. Paragraph 3.1(d) of the Credit Agreement is modified to (a) delete the words "such Bank" in the 8th line thereof and replace them with the words "the Agent" and (b) delete the words "that Bank" at the end of such paragraph and replace them with the words "the Agent."

13. Paragraph 3.5 of the Credit Agreement is modified to (a) delete the words "each Bank" in the 1st line thereof and replace them with the words "the Agent, for the benefit of each Bank," (b) following the percentage "one-half of one percent (1/2%)" in the second line thereof, insert the phrase", and commencing as of the date of the Fourth Amendment, three-eighths of one percent (3/8%)," (c) delete the word "first" in the 9th line thereof and replace it with the word "fifteenth," and (d) add the following as a new last sentence to such paragraph: "The Agent shall provide the Company with a bill for such fee within five (5) days of the end of each quarter."

14. Paragraph 3.6 of the Credit Agreement is modified to add the words "the Agent for the benefit of" in the second line thereof immediately prior to the words "the Banks."

15. Paragraph 6.2(d) of the Credit Agreement is modified to (a) insert a ";" after the number "\$5,000,000" at the end of the clause (xii) thereof and delete the word "and" after such number, (b) delete the "." at the end of clause (xiii) thereof and insert in its place a ";" and the word "and," and (c) add a new clause (xiv) at the end of such paragraph to read as follows:
"(xiv) Investments in funds holding assets primarily consisting of those described in clause (iii) hereof."

16. The Credit Agreement is further modified to delete paragraph 6.2(w) of the Credit Agreement in its entirety.

17. Paragraph 8.3 of the Credit Agreement is deleted in its entirety and is replaced by the following new paragraph 8.3:

"8.3 Payments Prior to Acceleration. Notwithstanding any provision to the contrary contained in this Agreement, the Notes or any related agreements, all payments of principal, premium (if any), interest and fees due and payable to any Bank under this Agreement, the Notes and all related agreements and documents shall be paid to the Agent which shall promptly remit all such payments to each Bank in accordance with the respective Loan Percentage of each Bank. Any payment received by the Agent in good funds prior to twelve o'clock (12:00) noon on a Business Day shall be remitted to the Banks on the same Business Day and any payment thereafter received shall be remitted on the next Business Day. The Banks shall each be entitled to recover from the Agent interest at the Federal Funds Rate on any amount not timely remitted to them as provided above for each day such amount is not so remitted."

18. All Revolving Credit Loans as to which the Alternative Interest Rate is a

Libor Based Rate outstanding as of the date of this Fourth Amendment are listed on Schedule A attached hereto and made part hereof (hereinafter collectively called the "Existing Libor Loans"). No modification, termination or pro rata adjustment shall be made, as a result of the provisions of this Fourth Amendment, to the outstanding shares of the Existing Libor Loans held by each Bank, provided, however, that upon the termination of the current Interest Period with respect to each such Existing Libor Loan such Existing Libor Loan shall not be renewed and any future borrowing to replace such Existing Libor Loan shall be made in accordance with the provisions of Paragraph 2.4, as amended hereby.

19. Contemporaneously with the execution hereof, the Company shall pay to the Agent, for the benefit of each Bank, an amendment fee, in consideration of the agreements and undertakings of the Banks set forth in this Fourth Amendment, equal to three-hundredths of one percent (.03%) of the amount of the Facility Commitment of each such Bank.

20. The 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 to execute, deliver and perform under this Fourth Amendment. The execution, delivery and performance by the Company of this Fourth Amendment 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 to execute, deliver and perform under this Fourth Amendment. The execution, delivery and performance by each Guarantor of this Fourth Amendment 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 Fourth Amendment.

(e) The execution, delivery and performance of and compliance with this Fourth Amendment will not result in any violation of or be in conflict with or constitute a default under any term of the respective certificates of incorporation or bylaws of the Company or any Guarantor, or of any agreement, indenture, mortgage, lease, assignment, note or other instrument to which the Company or any Guarantor is a party or which purports to be binding upon any of them or upon any of their properties or assets, or any judgment, decree, order, law, statute, ordinance, rule or governmental regulation applicable to any of them (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 their 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 Fourth 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 further modified as a result of the inclusion of additional Guarantors and other Consolidated Subsidiaries since the date of the Third Amendment, each Guarantor executing a separate Joinder Agreement and also executing this Fourth Amendment in such capacity, and Fourth Supplement to Schedule 1 reflecting the names and status of all such additional Consolidated Subsidiaries is attached hereto and made part hereof;

(ii) Eighth Replacement Schedule 9 and Fifth Replacement Schedule 11 attached to this Fourth Amendment are deemed incorporated into the Credit Agreement and Fourth Supplement to Schedule 1 attached to this Fourth Amendment is deemed incorporated into Schedule 1 (as previously amended) to the Credit Agreement.

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

22. This Fourth 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 Fourth Amendment as of the date first above written.

K. HOVNIANIAN ENTERPRISES, INC.

By:

J. Larry Sorsby
Senior Vice President,
Treasurer and Chief Financial Officer

DRYER ASSOCIATES, INC.

HOVNIANIAN ENTERPRISES, INC.

0515 CO., INC.

CEDAR HILL WATER WORKS CORPORATION

CEDAR HILL SEWER WORKS CORPORATION

ARROW PROPERTIES, INC.

EASTERN NATIONAL TITLE INSURANCE AGENCY, INC.

EASTERN NATIONAL TITLE INSURANCE AGENCY I, INC.

EASTERN TITLE AGENCY, INC.

EXC, INC.

K. HOVNIANIAN AT HOPEWELL III INC.

K. HOVNIANIAN AT WAYNE IV, INC.

(f/k/a 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 EAST BRUNSWICK, VIII, INC.

(f/k/a 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 TRAIL, 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 HORIZON HEIGHTS, INC.

(f/k/a K. HOVNIANIAN AT EAST BRUNSWICK II, INC.)

K. HOVNIANIAN AT KLOCKNER FARMS, INC.

K. HOVNIANIAN COMPANIES JERSEY SHORE, INC.

K. HOVNIANIAN AT EAST BRUNSWICK, INC.

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 FREEHOLD TOWNSHIP, INC.

(f/k/a K. HOVNIANIAN AT GALLOWAY, INC.)
K. HOVNIANIAN AT LAKEWOOD, INC.
(f/k/a K. HOVNIANIAN AT GALLOWAY III, INC.)
MINERVA GROUP, INC.
(f/k/a K. HOVNIANIAN AT GALLOWAY IV, INC.)
PARTHENON GROUP, INC.
(f/k/a K. HOVNIANIAN AT GALLOWAY V, INC.)
K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.
K. HOVNIANIAN AT WAYNE V, INC.
(f/k/a 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 HOWELL TOWNSHIP II, INC.
(f/k/a K. HOVNIANIAN AT HAMILTON, INC.)
K. HOVNIANIAN AT HAMILTON II, INC.
K. HOVNIANIAN AT HOPEWELL I, INC.
K. HOVNIANIAN AT PLAINSBORO III, INC.
(f/k/a K. HOVNIANIAN AT HOPEWELL II, INC. (a 1989 corp.))
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 MAHWAH V, INC.
(f/k/a 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 EAST WINDSOR I, INC.
(f/k/a 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 WAYNE III, INC.
(f/k/a 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 MAHWAH VII, INC.
(f/k/a 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 RESERVOIR RIDGE, INC.
(f/k/a K. HOVNIANIAN AT SOMERSET, INC.)
K. HOVNIANIAN AT SOUTH BRUNSWICK, III, INC.

(f/k/a K. HOVNIANIAN AT SOMERSET II, INC.)
K. HOVNIANIAN AT PRINCETON, INC.
(f/k/a K. HOVNIANIAN AT SOMERSET III, INC.)
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.
(f/k/a K. HOVNIANIAN AT SOMERSET V, INC.)
K. HOVNIANIAN AT SOMERSET VI, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.
(f/k/a/ 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 BRANCHBURG IV, INC.
(f/k/a K. HOVNIANIAN AT TINTON FALLS, INC.)
K. HOVNIANIAN AT WEST ORANGE, INC.
(f/k/a K. HOVNIANIAN AT TINTON FALLS II, INC.)
K. HOVNIANIAN AT UPPER MERION, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT MARLBORO V, INC.
(f/k/a 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 PENNSYLVANIA, INC. (f/k/a 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. HOV 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 CONSTRUCTION CO., INC.
(f/k/a MOLLY PITCHER RENOVATIONS, INC.)
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
(f/k/a K. HOVNIANIAN PROPERTIES OF FRANKLIN II, INC.)
K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK I, INC. (f/k/a 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.
LANDARAMA, INC.
K. HOVNIANIAN AT BEDMINSTER, INC.
NEW ENGLAND COMMUNITY MANAGEMENT CO., INC.
NEW K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN TREASURE COAST, INC. (f/k/a NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.)
PIKE UTILITIES, INC.
PINE BROOK CO., INC.
K. HOVNIANIAN AT STONY POINT, INC.
(f/k/a 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.
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.
(f/k/a 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 FAIR LAKES, INC.
(f/k/a 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 SHORES, INC.
(f/k/a 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 AT LA TERRAZA, INC.
(f/k/a 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.
STONEBROOK HOMES, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT BALLANTRAE, INC.
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT EAST WINDSOR II, INC. (f/k/a K. HOVNIANIAN PROPERTIES
OF GALLOWAY, INC.)
BALLANTRAE HOME SALES, INC.
K. HOVNIANIAN AT HACKETTSTOWN, INC.
K. HOVNIANIAN AT WILDROSE, INC. (f/k/a K. HOVNIANIAN COMPANIES OF
SOUTHERN CALIFORNIA II, INC.)
K. HOVNIANIAN AT GREENBROOK, INC.
(f/k/a K. HOVNIANIAN AT FAIRWAY ESTATES, INC.,
f/k/a K. HOVNIANIAN AT SPRING MOUNTAIN, INC.)
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT PRINCETON, INC.
K. HOVNIANIAN AT HUNTER ESTATES, INC.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT RARITAN I, INC.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT BEDMINSTER II, INC.
K. HOVNIANIAN AT BERLIN, INC.
K. HOVNIANIAN FLORIDA REGION, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP II, INC.
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN AT SENECA CROSSING, INC.
K. HOVNIANIAN AT EXETER HILLS, INC.
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.
K. HOVNIANIAN AT INVERRARY I, INC.
K. HOVNIANIAN AT MAHWAH IX, INC.
K. HOVNIANIAN AT HOPEWELL IV, INC.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT LOCUST GROVE I, INC. (f/k/a K. HOVNIANIAN AT
HOPEWELL II, INC. (a 1995 corp.))
K. HOVNIANIAN AT BERNARDS III, INC.
K. HOVNIANIAN AT BRIDGEWATER VI, INC.
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT TIERRASANTA, INC.
K. HOVNIANIAN AT WAYNE VI, INC.
K. HOVNIANIAN AT PRESTON, INC.
K. HOVNIANIAN AT LAKES OF BOCA RATON, INC.
K. HOVNIANIAN AT WINSTON TRAILS, INC.
K. HOVNIANIAN AT EAST BRUNSWICK V, INC.
K. HOVNIANIAN AT MAHWAH VIII, INC.
(f/k/a K. HOVNIANIAN AT GALLOWAY II, INC.)
BALLANTRAE DEVELOPMENT CORP.
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.
(f/k/a K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK III, INC.)

K. HOVNIANIAN AT RANCHO CRISTIANITOS, INC.
K. HOVNIANIAN AT TROVATA, INC.
K. HOVNIANIAN AT THE BLUFF, INC. (f/k/a K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK IV. INC.)
K. HOVNIANIAN AT SCOTCH PLAINS, INC.
(f/k/a K. HOVNIANIAN AT WATCHUNG RESERVE, INC.)
K. HOVNIANIAN AT EAST BRUNSWICK VII, INC.
(f/k/a K. HOVNIANIAN AT WINDSONG EAST BRUNSWICK, INC.)
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.
K. HOVNIANIAN AT TANNERY HILL, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.
K. HOVNIANIAN AT THE CEDARS, INC.
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT BURLINGTON II, INC.
K. HOVNIANIAN AT BURLINGTON III, INC.
K. HOVNIANIAN AT MANALAPAN, INC.
K. HOVNIANIAN AT BALLANTREA ESTATES, INC.
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT JEFFERSON, INC.
(f/k/a K. HOVNIANIAN AT HERSHEY'S MILL, INC. (a NJ corp.))
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.
K. HOVNIANIAN AT HERSHEY'S MILL, INC. (a PA corp.)
BALLANTRAE MARINA, INC.
K. HOVNIANIAN AT BERNARDS IV, INC.
K. HOVNIANIAN AT DOMINION RIDGE, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VII, INC.
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.
K. HOVNIANIAN AT MANALAPAN II, INC.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT HOPEWELL V, INC.
K. HOVNIANIAN AT HOPEWELL VI, INC.
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT WAYNE VII, INC.
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN AT EAST WHITELAND I, INC.
K. HOVNIANIAN AT STONEGATE, INC.
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT CRESTLINE, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN AT SMITHVILLE II, INC.
K. HOVNIANIAN AT STONE CANYON, INC.

By:

J. Larry Sorsby
Senior Vice President, Treasurer and Chief Financial Officer of
each of the foregoing corporations

PNC BANK, NATIONAL ASSOCIATION, AS AGENT

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

PNC BANK, NATIONAL ASSOCIATION

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

THE CHASE MANHATTAN BANK

By:
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO

By:
Name:
Title:

CORESTATES BANK, N.A.

By:
Name:
Title:

NATIONSBANK, NATIONAL ASSOCIATION

By:
Name:
Title:

FIRST NATIONAL BANK OF BOSTON

By:
Name:
Title:

BANK OF AMERICA ILLINOIS

By:
Name:
Title:

COMERICA BANK

By:
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By:
Name:
Title: