

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2025

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 of Incorporation or Organization)

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

90 Matawan Road, 5th Floor, Matawan, NJ 07747 (Address of Principal Executive Offices)

732-747-7800 (Registrant's Telephone Number, Including Area Code)

N/A (Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share	HOV	New York Stock Exchange
Preferred Stock Purchase Rights(1)	N/A	New York Stock Exchange
Depository Shares each representing 1/1,000th of a share of 7.625% Series A Preferred Stock	HOVNP	The Nasdaq Stock Market LLC

(1) Each share of Common Stock includes an associated Preferred Stock Purchase Right. Each Preferred Stock Purchase Right initially represents the right, if such Preferred Stock Purchase Right becomes exercisable, to purchase from the Company one ten-thousandth of a share of its Series B Junior Preferred Stock for each share of Common Stock. The Preferred Stock Purchase Rights currently cannot trade separately from the underlying Common Stock.

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Nonaccelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 5,131,747 shares of Class A Common Stock and 760,387 shares of Class B Common Stock were outstanding as of August 26, 2025.

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HOVNANIAN ENTERPRISES, INC.

FORM 10-Q

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	July 31, 2025	October 31, 2024
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 146,592	\$ 209,976
Restricted cash and cash equivalents	12,155	7,875
Inventories:		
Sold and unsold homes and lots under development	1,192,251	1,195,318
Land and land options held for future development or sale	171,030	238,499
Consolidated inventory not owned	329,651	210,987
Total inventories	1,692,932	1,644,804
Investments in and advances to unconsolidated joint ventures	218,356	142,910
Receivables, deposits and notes, net	29,233	29,400
Property and equipment, net	51,573	43,431
Prepaid expenses and other assets	83,916	82,525
Total homebuilding	2,234,757	2,160,921
Financial services	173,775	203,589
Deferred tax assets, net	220,820	241,064
Total assets	\$ 2,629,352	\$ 2,605,574
LIABILITIES AND EQUITY		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$ 53,524	\$ 90,675
Accounts payable and other liabilities	425,683	433,273
Customers' deposits	35,480	41,639
Liabilities from inventory not owned, net of debt issuance costs	236,644	140,298
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	861,922	896,218
Accrued interest	28,361	14,508
Total homebuilding	1,641,614	1,616,611
Financial services	152,375	183,135
Income taxes payable	-	5,479
Total liabilities	1,793,989	1,805,225
Stockholders' equity:		
Preferred stock, \$0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at July 31, 2025 and October 31, 2024	135,299	135,299
Common stock, Class A, \$0.01 par value - authorized 16,000,000 shares; issued 6,479,719 shares at July 31, 2025 and 6,415,794 shares at October 31, 2024	65	64
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) - authorized 2,400,000 shares; issued 788,056 shares at July 31, 2025 and 757,023 shares at October 31, 2024	8	8
Paid in capital - common stock	758,542	749,752
Retained earnings	130,661	74,136
Treasury stock - at cost - 1,348,087 shares of Class A common stock at July 31, 2025 and 1,090,179 shares at October 31, 2024; 27,669 shares of Class B common stock at July 31, 2025 and October 31, 2024	(189,212)	(158,910)
Total stockholders' equity	835,363	800,349
Total liabilities and equity	\$ 2,629,352	\$ 2,605,574

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Revenues:				
Homebuilding:				
Sale of homes	\$ 769,050	\$ 687,424	\$ 2,066,278	\$ 1,947,989
Land sales and other revenues	2,967	16,392	27,573	25,968
Total homebuilding	772,017	703,816	2,093,851	1,973,957
Financial services	28,566	18,888	66,826	51,323
Total revenues	800,583	722,704	2,160,677	2,025,280
Expenses:				
Homebuilding:				
Cost of sales, excluding interest	636,256	547,332	1,712,835	1,528,047
Cost of sales interest	26,868	22,316	66,162	63,757
Inventory impairments and land option write-offs	16,045	3,099	20,141	3,638
Total cost of sales	679,169	572,747	1,799,138	1,595,442
Selling, general and administrative	55,770	50,989	161,087	146,415
Total homebuilding expenses	734,939	623,736	1,960,225	1,741,857
Financial services	14,715	12,362	41,043	35,856
Corporate general and administrative	35,029	38,480	97,221	108,130
Other interest	7,149	6,262	25,811	25,682
Other expense (income), net (1)	460	(44,707)	(19,660)	(47,284)
Total expenses	792,292	636,133	2,104,640	1,864,241
Gain on extinguishment of debt, net	-	-	399	1,371
Income from unconsolidated joint ventures	15,511	10,698	33,759	36,814
Income before income taxes	23,802	97,269	90,195	199,224
State and federal income tax provision:				
State	3,310	5,896	7,170	13,333
Federal	3,877	18,454	18,493	38,232
Total income taxes	7,187	24,350	25,663	51,565
Net income	16,615	72,919	64,532	147,659
Less: preferred stock dividends	2,669	2,669	8,007	8,007
Net income available to common stockholders	\$ 13,946	\$ 70,250	\$ 56,525	\$ 139,652
Per share data:				
Basic:				
Net income per common share	\$ 2.14	\$ 10.61	\$ 8.55	\$ 20.85
Weighted-average number of common shares outstanding	6,399	6,474	6,442	6,476
Assuming dilution:				
Net income per common share	\$ 1.99	\$ 9.75	\$ 7.94	\$ 19.15
Weighted-average number of common shares outstanding	6,887	7,048	6,936	7,048

See notes to condensed consolidated financial statements (unaudited).

(1) Includes gain on contribution of assets to a joint venture of \$22.7 million for the nine months ended July 31, 2025, and includes gain on consolidation of a joint venture of \$45.7 million for the three and nine months ended July 31, 2024 (see note 18).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE AND NINE MONTH PERIODS ENDED JULY 31, 2025
(In thousands, except share data)
(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock			Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares		Shares		Shares						
	Issued and Outstanding	Amount	Issued and Outstanding	Amount	Issued and Outstanding	Amount	Amount				
Balance, October 31, 2024	5,325,615	\$ 64	729,354	\$ 8	5,600	\$ 135,299	\$ 749,752	\$ 74,136	\$ (158,910)	\$ 800,349	
Stock options, amortization and issuances	476									-	
Preferred dividend declared (\$476.56 per share)									(2,669)	(2,669)	
Restricted stock amortization, issuances and forfeitures	666							3,605		3,605	
Conversion of Class B to Class A common stock	5		(5)							-	
Share repurchases, including excise taxes	(131,460)								(18,050)	(18,050)	
Net income									28,191	28,191	
Balance, January 31, 2025	5,195,302	\$ 64	729,349	\$ 8	5,600	\$ 135,299	\$ 753,357	\$ 99,658	\$ (176,960)	\$ 811,426	
Stock options, amortization and issuances										-	
Preferred dividend declared (\$476.56 per share)									(2,669)	(2,669)	
Restricted stock amortization, issuances and forfeitures								4,233		4,233	
Conversion of Class B to Class A common stock	4		(4)							-	
Share repurchases, including excise taxes	(126,448)								(12,346)	(12,346)	
Net income									19,726	19,726	
Balance, April 30, 2025	5,068,858	\$ 64	729,345	\$ 8	5,600	\$ 135,299	\$ 757,590	\$ 116,715	\$ (189,306)	\$ 820,370	
Stock options, amortization and issuances	1,179							25		25	
Preferred dividend declared (\$476.56 per share)									(2,669)	(2,669)	
Restricted stock amortization, issuances and forfeitures	61,595	1	31,042					927		928	
Share repurchases, including excise taxes	-									94	
Net income									16,615	16,615	
Balance, July 31, 2025	5,131,632	\$ 65	760,387	\$ 8	5,600	\$ 135,299	\$ 758,542	\$ 130,661	\$ (189,212)	\$ 835,363	

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE AND NINE MONTH PERIODS ENDED JULY 31, 2024
(In thousands, except share data)
(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Accumulated Deficit	Treasury Stock	Noncontrolling Interest	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2023	5,345,929	\$ 62	749,081	\$ 8	5,600	\$ 135,299	\$ 735,946	\$ (157,197)	\$ (132,382)	\$ 53	\$ 581,789
Stock options, amortization and issuances	615						46				46
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures							4,071				4,071
Conversion of Class B to Class A common stock	16		(16)								-
Changes in noncontrolling interest in consolidated joint ventures										(53)	(53)
Net income								23,904			23,904
Balance, January 31, 2024	5,346,560	\$ 62	749,065	\$ 8	5,600	\$ 135,299	\$ 740,063	\$ (135,962)	\$ (132,382)	\$ -	\$ 607,088
Stock options, amortization and issuances	120						(4)				(4)
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures							6,942				6,942
Conversion of Class B to Class A common stock	40,141	1	(40,141)	(1)							-
Share repurchases, including excise taxes	(106,047)								(15,147)		(15,147)
Net income								50,836			50,836
Balance, April 30, 2024	5,280,774	\$ 63	708,924	\$ 7	5,600	\$ 135,299	\$ 747,001	\$ (87,795)	\$ (147,529)	\$ -	\$ 647,046
Stock options, amortization and issuances	4,767						268				268
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures	85,021	1	53,250	1			(2,790)				(2,788)
Conversion of Class B to Class A common stock	32,771		(32,771)								-
Share repurchases, including excise taxes	(82,753)								(11,392)		(11,392)
Net income								72,919			72,919
Balance, July 31, 2024	5,320,580	\$ 64	729,403	\$ 8	5,600	\$ 135,299	\$ 744,479	\$ (17,545)	\$ (158,921)	\$ -	\$ 703,384

See notes to condensed consolidated financial statements (unaudited).

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended July 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 64,532	\$ 147,659
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,513	5,679
Stock-based compensation	14,124	20,208
Amortization of debt discounts, premiums and deferred financing costs	(1,777)	(366)
Gain on sale of property and assets	(951)	(941)
Gain on consolidation of joint venture	-	(45,653)
Gain on inventory contributed to joint venture	(22,683)	-
Income from unconsolidated joint ventures	(33,759)	(36,814)
Distributions of earnings from unconsolidated joint ventures	3,460	3,170
Gain on extinguishment of debt	(399)	(1,371)
Inventory impairments and land option write-offs	20,141	3,638
(Increase) decrease in assets:		
Inventories	(45,586)	(181,270)
Receivables, deposits and notes	(2,163)	(25,138)
Origination of mortgage loans	(1,279,416)	(1,083,465)
Sale of mortgage loans	1,297,796	1,065,098
Deferred tax assets	20,244	44,924
(Decrease) increase in liabilities:		
Accounts payable, accrued interest and other liabilities	(8,328)	3,819
Customers' deposits	(6,159)	(9,146)
State income tax payable	(8,384)	(2,215)
Net cash provided by (used in) operating activities	19,205	(92,184)
Cash flows from investing activities:		
Proceeds from sale of property and assets	1,523	951
Purchase of property, equipment, and other fixed assets	(17,011)	(13,437)
Investment in and advances to unconsolidated joint ventures, net of reimbursements	(49,572)	(32,162)
Distributions of capital from unconsolidated joint ventures	4,425	4,353
Net cash used in investing activities	(60,635)	(40,295)
Cash flows from financing activities:		
Proceeds from mortgages and notes	152,747	227,612
Payments related to mortgages and notes	(191,384)	(241,496)
Proceeds from model sale leaseback financing programs	36,978	25,619
Payments related to model sale leaseback financing programs	(13,806)	(17,728)
Proceeds from land bank financing programs	159,819	75,969
Payments related to land bank financing programs	(85,117)	(72,132)
Net (payments) proceeds related to mortgage warehouse lines of credit	(21,504)	23,688
Payments related to senior notes, senior secured notes and senior unsecured term loan	(26,588)	(145,000)
Preferred dividends paid	(8,007)	(8,007)
Treasury stock purchases	(30,302)	(26,539)
Deferred financing costs from land banking financing programs and note issuances	(3,353)	(3,155)
Net cash used in financing activities	(30,517)	(161,169)
Net decrease in cash and cash equivalents, and restricted cash and cash equivalents	(71,947)	(293,648)
Cash and cash equivalents, and restricted cash and cash equivalents balance, beginning of period	266,761	477,519
Cash and cash equivalents, and restricted cash and cash equivalents balance, end of period	\$ 194,814	\$ 183,871
Reconciliation of Cash, cash equivalents and restricted cash		
Homebuilding: Cash and cash equivalents	\$ 146,592	\$ 122,036
Homebuilding: Restricted cash and cash equivalents	12,155	9,615
Financial Services: Cash and cash equivalents, included in financial services assets	5,228	5,847
Financial Services: Restricted cash and cash equivalents, included in financial services assets	30,839	46,373
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 194,814	\$ 183,871

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands - Unaudited)
(Continued)

Supplemental disclosure of non-cash operating, investing and financing activities:

In the third quarter of fiscal 2024, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$33.1 million reduction in our investment in the joint venture, and increases of \$123.7 million to inventory, \$7.0 million to other assets, \$8.8 million to accounts payable, \$6.5 million to customer deposits and \$36.6 million to nonrecourse mortgages and notes, net of debt issuance costs.

In the third quarter of fiscal 2024, K. Hovnanian exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 (the "13.5% Notes"), \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of its \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 (the "Unsecured Term Loan") and an aggregate cash payment of \$31.5 million in respect of the 13.5% Notes and Unsecured Term Loan for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

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

1. Basis of Presentation

Hovnanian Enterprises, Inc. ("HEI") conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the "Company," "we," "us" or "our" refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI's subsidiaries).

The accompanying unaudited Condensed Consolidated Financial Statements include HEI's accounts and those of all of its consolidated subsidiaries after elimination of all intercompany balances and transactions. Noncontrolling interest represents the proportionate equity interest in a consolidated joint venture that is not 100% owned by the Company directly or indirectly, which we sold our membership interest in during the first quarter of fiscal 2024.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, and accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2024. In the opinion of management, all adjustments for interim periods presented have been made, which include normal recurring accruals and deferrals necessary for a fair presentation of our condensed consolidated financial position, results of operations and cash flows. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and these differences could have a significant impact on the Condensed Consolidated Financial Statements. Results for interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Stock Compensation

During the first quarter of fiscal 2025, the Board of Directors (the "Board") approved certain grants under a new Long-Term Incentive Program (the "2025 LTIP") that contain performance-based vesting conditions. The performance period for the 2025 LTIP commenced on November 1, 2024 and will end on October 31, 2027. At the end of the performance period, 100% of the awards, if any, are payable in shares of Company stock, subject to a mandatory two-year post-vesting hold period. During the third quarter of fiscal 2025, the Board approved certain grants under a new Performance Stock Units Program (the "2025 PSUs") that also contain performance-based vesting conditions. The performance period for the 2025 PSUs commenced on May 1, 2025 and will end on April 30, 2026. Upon vesting, approximately 50% of the awards, if any, are payable in shares of Company stock, subject to a mandatory two-year post-vesting hold period and approximately 50% of the awards, if any, are paid in cash based on the earned phantom stock units.

For the three and nine months ended July 31, 2025, stock-based compensation expense was \$6.2 million (\$4.4 million net of tax) and \$14.1 million (\$10.1 million net of tax), respectively. For the three and nine months ended July 31, 2024, stock-based compensation expense was \$9.2 million (\$6.1 million net of tax) and \$20.2 million (\$13.2 million net of tax), respectively.

3. Interest

Interest costs incurred, expensed and capitalized were as follows:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Interest capitalized at beginning of period	\$ 53,633	\$ 52,222	\$ 57,671	\$ 52,060
Plus interest incurred(1)	28,523	28,087	88,210	94,578
Less cost of sales interest expensed	(26,868)	(22,316)	(66,162)	(63,757)
Less other interest expensed(2)	(7,149)	(6,262)	(25,811)	(25,682)
Less interest contributed to unconsolidated joint venture(3)	-	-	(5,769)	(5,468)
Plus interest acquired from unconsolidated joint venture(4)	-	2,861	-	2,861
Interest capitalized at end of period(5)	\$ 48,139	\$ 54,592	\$ 48,139	\$ 54,592

(1) Data does not include interest incurred by our mortgage and finance subsidiaries.

(2) During the three and nine months ended July 31, 2025 and 2024, respectively, our inventory under development exceeded our debt, therefore, all of the related interest incurred qualified for interest capitalization. Other interest also includes interest on completed homes, land in planning and fully developed lots without homes under construction, along with financing programs, which does not qualify for capitalization and therefore is expensed as incurred. This component of other interest was \$7.1 million and \$6.3 million for the three months ended July 31, 2025 and 2024, respectively, and \$25.8 million and \$25.7 million for the nine months ended July 31, 2025 and 2024, respectively.

(3) Represents capitalized interest which was included as part of the assets contributed to joint ventures, as discussed in Note 18. There was no impact to the Condensed Consolidated Statement of Operations as a result of these capitalized interest transactions.

(4) Represents capitalized interest which was included as part of the assets acquired from joint ventures, as discussed in Note 18. There was no impact to the Condensed Consolidated Statement of Operations resulting therefrom.

(5) Capitalized interest amounts are shown gross before allocating a portion of impairments, if any, to capitalized interest.

4. Reduction of Inventory to Fair Value

We had 452 and 448 communities under development and held for future development or sale at July 31, 2025 and 2024, respectively, which we evaluated for impairment indicators (i.e., those with a projected operating loss). We identified impairment indicators in one community in our Northeast segment and three communities in our West segment with an aggregate carrying value of \$35.9 million during the three months ended July 31, 2025, and two communities in our Northeast segment and three communities in our West segment with an aggregate carrying value of \$41.3 million during the nine months ended July 31, 2025. These impairment analyses resulted in impairments of \$7.6 million and \$8.8 million during the three and nine months ended July 31, 2025, respectively, included with "Inventory impairments and land option write-offs" in the Condensed Consolidated Statement of Operations and deducted from inventory. We identified an impairment indicator related to an offer received on a parcel of land with a carrying value of \$15.2 million for one community in our West segment during both the three and nine months ended July 31, 2024. The impairment analysis resulted in an impairment charge of \$2.7 million during the periods.

Write-offs of options, engineering and capitalized interest costs are recorded in "Inventory impairments and land option write-offs" when we redesign communities, abandon certain engineering costs or do not exercise options in various locations because the pro forma profitability is not projected to produce adequate returns on investment commensurate with the risk. Total aggregate write-offs related to these items were \$8.4 million and \$0.4 million for the three months ended July 31, 2025 and 2024, respectively, and \$11.3 million and \$0.9 million for the nine months ended July 31, 2025 and 2024, respectively. The number of lots walked away from during the three months ended July 31, 2025 and 2024 were 4,059 and 1,277, respectively, and 8,956 and 2,547 during the nine months ended July 31, 2025 and 2024, respectively. The walk-aways during the first three quarters of fiscal 2025 and 2024 occurred across each of our segments.

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement and the ability to repurchase model homes with below market options, for accounting purposes in accordance with ASC 606, these sale and leaseback transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheets as of July 31, 2025 and October 31, 2024, included inventory of \$65.9 million and \$46.1 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$68.7 million (net of debt issuance costs) and \$46.2 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

We have land banking arrangements, whereby we sell our land parcels to a land banker and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, for accounting purposes in accordance with ASC 606, these transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheets as of July 31, 2025 and October 31, 2024, included inventory of \$263.8 million and \$164.9 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$167.9 million (net of debt issuance costs) and \$94.1 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

5. Variable Interest Entities

We enter into land and lot option purchase contracts to procure land or lots for the construction of homes. Under these contracts, the Company will fund a stated deposit in consideration for the right, but not the obligation, to purchase land or lots at a future point in time with predetermined terms. Under the terms of the option purchase contracts, many of the option deposits are not refundable at the Company's discretion. Under the requirements of ASC 810, certain option purchase contracts may result in the creation of a Variable Interest Entity ("VIE") that owns the land parcel under option.

Although the Company does not have legal title to the underlying land, we analyze our option purchase contracts to determine whether the corresponding land and lot sellers are VIEs and, if so, whether we are the primary beneficiary. The significant factors we consider in determining if the power to direct the activities of a VIE that most significantly impact the VIE's economic performance are shared include, among other things, our ability in determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, changing the terms of the contract or arranging financing for the VIE. As a result of our analyses, we have concluded, there are no VIEs that required consolidation at either July 31, 2025 or October 31, 2024 because we are not the primary beneficiary of the land or lots under option purchase contracts.

We will continue to secure land and lots using options, some of which are with VIEs where we have determined power is shared among the partners and we do not have a controlling financial interest. Including deposits on our unconsolidated VIEs, at July 31, 2025 and October 31, 2024, we had total cash deposits amounting to \$312.1 million and \$264.8 million, respectively, to purchase land and lots with a total purchase price of \$3.4 billion and \$3.0 billion, respectively. The maximum exposure to loss with respect to our land and lot options is limited to the deposits plus any pre-development costs invested in the property, although some deposits are refundable at our request or if certain conditions are met.

6. Warranty Costs

We accrue for warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. For homes to be delivered in fiscal 2025 and previously delivered in 2024, our deductible under our general liability insurance is or was \$30.0 million annually, aggregated for construction defect and warranty claims. For bodily injury claims, our deductible per occurrence in fiscal 2025 and 2024 is or was \$0.25 million and \$0.5 million for action over claims, both with a \$30.0 million limit. In addition, we establish a warranty accrual for lower cost-related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs at the time each home is closed and control is transferred to the homebuyer. Additions, charges and changes in the warranty reserve and general liability reserve for the three and nine months ended July 31, 2025 and 2024 were as follows:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Balance, beginning of period	\$ 91,800	\$ 85,177	\$ 89,391	\$ 98,919
Additions – Selling, general and administrative	2,818	2,262	7,912	6,850
Additions – Cost of sales	2,294	2,787	6,512	7,637
Charges incurred during the period (1)	(2,417)	(2,546)	(8,772)	(28,139)
Changes to pre-existing reserves	1,955	418	1,407	2,831
Balance, end of period	\$ 96,450	\$ 88,098	\$ 96,450	\$ 88,098

(1) The majority of the charges incurred during the first nine months of fiscal 2024 represented a payment for construction defects related to the settlement of a litigation matter.

7. Commitments and Contingent Liabilities

We are involved in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on our financial position, results of operations or cash flows, and we are subject to extensive and complex laws and regulations that affect the development of land and home building, sales and customer financing processes, including zoning, density, building standards and mortgage financing. These laws and regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or homebuilding. The significant majority of our litigation matters are related to construction defect claims. Our estimated losses from construction defect litigation matters, if any, are included in our construction defect reserves.

We also are subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we have owned or developed or currently own or are developing ("environmental laws"). The particular environmental laws that apply to a site may vary greatly according to the community site, for example, due to the community, the environmental conditions at or near the site, and the present and former uses of the site. These environmental laws may result in delays, may cause us to incur substantial compliance, remediation and/or other costs, and can prohibit or severely restrict development and homebuilding activity. In addition, noncompliance with these laws and regulations could result in fines and penalties, obligations to remediate or take corrective action, permit revocations or other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments may result in claims against us for personal injury, property damage or other losses.

We anticipate that increasingly stringent requirements will continue to be imposed on developers and homebuilders in the future. In addition, some of these laws and regulations that significantly affect how certain properties may be developed are contentious, attract intense political attention, and may be subject to significant changes over time. For example, regulations governing wetlands permitting under the federal Clean Water Act have been the subject of extensive rulemakings for many years, resulting in several major joint rulemakings by the EPA and the U.S. Army Corps of Engineers that have expanded and contracted the scope of wetlands subject to regulation; and such rulemakings have been the subject of many legal challenges, some of which remain pending. It is unclear how these and related developments, including at the state or local level, ultimately may affect the scope of regulated wetlands where we operate. Although we cannot reliably predict the extent of any effect these developments regarding wetlands, or any other requirements that may take effect, may have on us, they could result in time-consuming and expensive compliance programs and in substantial expenditures, which could cause delays and increase our cost of operations. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond our control, such as changes in policies, rules and regulations and their interpretations and application.

In December 2020, the New Jersey Department of Environmental Protection ("NJDEP") and the Administrator of the New Jersey Spill Compensation Fund (the "Spill Fund") filed a lawsuit in the Superior Court of New Jersey, Law Division, Union County against Hovnanian Enterprises, Inc., in addition to other unrelated parties, in connection with contamination at Hickory Manor, a residential condominium development. Alleged predecessors of certain defendants had used the Hickory Manor property for decades for manufacturing purposes. In 1998, the NJDEP confirmed that groundwater at this site was impacted from an off-site source. The site was later remediated, resulting in the NJDEP issuing an unconditional site-wide No Further Action determination letter and Covenant Not to Sue in 1999. Subsequently, one of our affiliates was involved in redeveloping the property as a residential community. The complaint asserts claims under the New Jersey Spill Act and other state law claims and alleges that the NJDEP and the Spill Fund have incurred over \$5.3 million since 2009 to investigate vapor intrusion at the development and to install vapor mitigation systems. Among other things, the complaint seeks recovery of the costs incurred, an order that defendants perform additional required remediation and disgorgement of profits on our affiliate's sales of the units in the development. Discovery has commenced. Hovnanian Enterprises, Inc. intends to defend these claims vigorously.

8. Cash Equivalents, Restricted Cash and Customers' Deposits

Cash equivalents include certificates of deposit, U.S. Treasury bills and government money-market funds with maturities of 90 days or less when purchased. Our cash balances are held at a few financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major high credit quality financial institutions. As of July 31, 2025 and October 31, 2024, \$12.5 million and \$13.6 million, respectively, of our total cash and cash equivalents was in cash equivalents and restricted cash equivalents.

Homebuilding "Restricted cash and cash equivalents" on the Condensed Consolidated Balance Sheets totaled \$12.2 million and \$7.9 million as of July 31, 2025 and October 31, 2024, respectively, which primarily consists of cash collateralizing our letter of credit agreements and facilities (see Note 12).

Financial services restricted cash and cash equivalents, which are included in "Financial services" assets on the Condensed Consolidated Balance Sheets, totaled \$30.8 million and \$42.3 million as of July 31, 2025 and October 31, 2024, respectively. Included in these balances were (1) financial services customers' deposits of \$27.0 million and \$39.2 million at July 31, 2025 and October 31, 2024, respectively, which are subject to restrictions on our use, and (2) restricted cash under the terms of our mortgage warehouse lines of credit of \$3.8 million and \$3.1 million at July 31, 2025 and October 31, 2024, respectively.

Homebuilding "Customers' deposits" are shown as a liability on the Condensed Consolidated Balance Sheets. These liabilities are significantly more than the applicable periods' restricted cash balances because in some states the deposits are not restricted from use and, in other states, we are able to release the majority of these customer deposits to cash by pledging letters of credit or surety bonds.

9. Leases

We rent certain office space for use in our operations. Our lease population at July 31, 2025 is comprised of operating leases where we are the lessee, primarily for our corporate office and division offices.

Lease costs are included in our Condensed Consolidated Statements of Operations, primarily in "Selling, general and administrative" homebuilding expenses, and payments on our lease liabilities are presented in the table below.

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Operating lease costs	\$ 2,876	\$ 2,743	\$ 8,708	\$ 8,131
Cash payments on lease liabilities	\$ 2,520	\$ 2,224	\$ 8,092	\$ 6,604

Operating right-of-use lease assets ("ROU assets") are included in "Prepaid expenses and other assets" on our Condensed Consolidated Balance Sheets, while lease liabilities are included in "Accounts payable and other liabilities". During the nine months ended July 31, 2025, we had an increase to ROU assets and lease liabilities of \$8.3 million as a result of new leases and lease renewals that commenced during the period. We also modified a lease in our Northeast segment to shorten the term during the nine months ended July 31, 2025, which resulted in a decrease to ROU assets and lease liabilities of \$7.7 million. The following table contains additional information about our leases:

(In thousands)	July 31, 2025	October 31, 2024
ROU assets	\$ 22,654	\$ 28,765
Lease liabilities	\$ 25,874	\$ 30,868
Weighted-average remaining lease term (in years)	3.6	4.6
Weighted-average discount rate	10.2%	10.3%

Maturities of our operating lease liabilities as of July 31, 2025 are as follows:

Fiscal Year Ending October 31,	(In thousands)
2025 (excluding the nine months ended July 31, 2025)	\$ 2,501
2026	10,356
2027	8,155
2028	4,900
2029	3,022
2030 and thereafter	2,109
Total operating lease payments (1)	31,043
Less: imputed interest	(5,169)
Present value of operating lease liabilities	\$ 25,874

(1) Lease payments include options to extend lease terms that are reasonably certain of being executed and exclude \$11.5 million of legally binding minimum lease payments for office leases signed but not yet commenced as of July 31, 2025. The related ROU assets and operating lease liabilities are not reflected on the Company's Condensed Consolidated Balance Sheets.

10. Mortgage Loans Held for Sale

Our wholly owned mortgage banking subsidiary, K. Hovnanian American Mortgage, LLC (“K. Hovnanian Mortgage”), originates mortgage loans, primarily from the sale of our homes. Such mortgage loans are sold in the secondary mortgage market within a short period of time of origination. Mortgage loans held for sale are collateralized by the underlying property. Loans held for sale are recorded at fair value with changes in the value recognized in the Condensed Consolidated Statements of Operations in “Financial services” revenue. We use forward sales of mortgage-backed securities (“MBS”), interest rate commitments from borrowers and forward commitments to sell loans to third parties to protect us from interest rate fluctuations. These short-term instruments do not require any payments to be made to the counterparty or purchaser in connection with the execution of the commitments.

As of July 31, 2025 and October 31, 2024, \$128.9 million and \$145.7 million, respectively, of mortgages held for sale were pledged against our mortgage warehouse lines of credit (see Note 11). We may incur losses with respect to mortgages that were previously sold that are delinquent and which had underwriting defects, but only to the extent the losses are not covered by mortgage insurance or the resale value of the home. The reserves for these estimated losses are included in “Financial services” liabilities on the Condensed Consolidated Balance Sheets. At July 31, 2025 and October 31, 2024, we had specific reserves for 9 and 10 identified mortgage loans, respectively, as well as reserves for an estimate of future losses on mortgages sold but not yet identified to us.

The activity in our loan origination reserves during the three and nine months ended July 31, 2025 and 2024 were as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2025	2024	2025	2024
Loan origination reserves, beginning of period	\$ 2,738	\$ 2,034	\$ 2,520	\$ 2,013
Provisions for estimated losses during the period	195	216	452	629
Payments/settlements	(44)	(156)	(83)	(548)
Loan origination reserves, end of period	\$ 2,889	\$ 2,094	\$ 2,889	\$ 2,094

11. Mortgages

Nonrecourse

We had nonrecourse mortgage loans for certain communities totaling \$53.5 million and \$90.7 million, net of debt issuance costs, as of July 31, 2025 and October 31, 2024, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$123.8 million and \$249.7 million, respectively. The weighted-average interest rate on these obligations was 8.1% and 8.7% as of July 31, 2025 and October 31, 2024, respectively, and the mortgage loan payments primarily correspond to home deliveries.

Mortgage Loans

K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in “Financial services” liabilities on the Condensed Consolidated Balance Sheets.

Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. (“Chase Master Repurchase Agreement”), which was amended on July 31, 2025 to extend the maturity date to April 1, 2026, is a short-term borrowing facility that provides up to \$50.0 million. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted Secured Overnight Financing Rate (“SOFR”), plus an applicable margin of 2.00% to 2.25%. As of July 31, 2025 and October 31, 2024, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was \$9.0 million and \$7.3 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank (“Customers Master Repurchase Agreement”), which is a short-term borrowing facility that provides up to \$100.0 million through its maturity on March 4, 2026. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current Bloomberg Short Term Bank Yield Index (“BSBY”) rate or SOFR, plus an applicable margin ranging from 2.125% to 4.5% based on the type of loan and the number of days outstanding on the warehouse line. As of July 31, 2025 and October 31, 2024, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was \$55.5 million and \$78.6 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Hinsdale Bank & Trust Company, N.A. ("Hinsdale Master Repurchase Agreement"), which was amended on July 14, 2025 to extend the maturity date to July 13, 2026, and is a short-term borrowing facility that provides up to \$50.0 million. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at the One-Month Term SOFR, plus an applicable margin of 1.75% subject to a floor of 2.75%. As of both July 31, 2025 and October 31, 2024, the aggregate principal amount of all borrowings outstanding under the Hinsdale Master Repurchase Agreement was \$45.5 million.

On June 6, 2025, K. Hovnanian Mortgage entered into a new secured Master Repurchase Agreement with PlainsCapital Bank ("PlainsCapital Master Repurchase Agreement"). The short-term borrowing facility provides up to \$75.0 million through its maturity on May 31, 2026. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the 30-Day SOFR, plus an applicable margin of 2.125% to 9.0% based upon the number of days outstanding with the warehouse line, subject to a floor of 5.5%. As of July 31, 2025, there were no borrowings outstanding under the PlainsCapital Master Repurchase Agreement.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement, Hinsdale Master Repurchase Agreement and PlainsCapital Master Repurchase Agreement (together, the "Master Repurchase Agreements") require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis, the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of July 31, 2025, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

12. Senior Notes and Credit Facilities

Senior notes and credit facilities balances as of July 31, 2025 and October 31, 2024, were as follows:

(In thousands)	July 31, 2025	October 31, 2024
Senior Secured Notes:		
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	\$ 225,000	\$ 225,000
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	430,000	430,000
Total Senior Secured Notes	\$ 655,000	\$ 655,000
Senior Notes:		
13.5% Senior Notes due February 1, 2026	\$ -	\$ 26,588
5.0% Senior Notes due February 1, 2040	24,968	24,968
Total Senior Notes	\$ 24,968	\$ 51,556
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	\$ 175,000	\$ 175,000
Senior Secured Revolving Credit Facility (1)	\$ -	\$ -
Subtotal senior notes and credit facilities	\$ 854,968	\$ 881,556
Net premiums (discounts)	\$ 9,141	\$ 17,340
Unamortized debt issuance costs	\$ (2,187)	\$ (2,678)
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 861,922	\$ 896,218

(1) At July 31, 2025, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term SOFR (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

General

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at July 31, 2025 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the "Debt Instruments") outstanding at July 31, 2025, do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchange or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the "Secured Term Loans") made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (the "Secured Term Loan Facility") and loans (the "Secured Revolving Loans") made under the Senior Secured Revolving Credit Agreement due June 30, 2026 (the "Secured Credit Agreement") or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of July 31, 2025, we believe we were in compliance with the covenants of the Debt Instruments.

Under the terms of our Debt Instruments, we have the right to make certain redemptions and prepayments and, depending on market conditions, our strategic priorities and covenant restrictions, may do so from time to time. We also continue to actively analyze and evaluate our capital structure and explore transactions to simplify our capital structure and to strengthen our balance sheet, including those that reduce leverage, interest rates and/or extend maturities, and will seek to do so in the near term with the right opportunity. We may also continue to make debt or equity purchases and/or exchanges from time to time through tender offers, exchange offers, redemptions, open market purchases, private transactions, or otherwise, or seek to raise additional debt or equity capital, depending on market conditions and covenant restrictions.

Fiscal 2025

On April 30, 2025, K. Hovnanian redeemed the remaining \$26.6 million aggregate principal amount of its 13.5% Senior Notes due 2026 for a redemption price of \$27.5 million, which included accrued and unpaid interest. This redemption resulted in a gain on extinguishment of debt of \$0.4 million for the nine months ended July 31, 2025, including the write-off of unamortized premiums, debt issuance costs and fees. The gain from the redemption is included in the Condensed Consolidated Statement of Operations as "Gain on extinguishment of debt, net".

Secured Obligations

The Secured Credit Agreement provides for up to \$125.0 million in aggregate amount of Secured Revolving Loans to be used for general corporate purposes, upon the terms and subject to the conditions set forth therein. Secured Revolving Loans are to be borrowed by K. Hovnanian and guaranteed by the Notes Guarantors. The revolving loans under the Secured Credit Agreement have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) SOFR (subject to a floor of 3.00%) plus an applicable margin of 4.5% or (ii) an alternate base rate (subject to a floor of 4.0%) plus an applicable margin of 3.5%. In addition, K. Hovnanian pays an unused commitment fee on the undrawn revolving commitments at a rate of 1.0% per annum.

The 8.0% Senior Secured 1.125 Lien Notes due 2028 (the "New 1.125 Lien Notes") have a maturity of September 30, 2028 and bear interest at a rate of 8.0% per annum payable semi-annually on March 30 and September 30 of each year to holders of record at the close of business on March 15 and September 15, as the case may be, immediately preceding such interest payment dates. The New 1.125 Lien Notes are redeemable in whole or in part at K. Hovnanian's option at any time prior to September 30, 2025 at a redemption price equal to 100% of their principal amount plus an applicable "Make Whole Amount". K. Hovnanian may also redeem some or all of the New 1.125 Lien Notes at 104.0% of their principal amount commencing on September 30, 2025, at 102.0% of their principal amount commencing on September 30, 2026 and at 100.0% of their principal amount commencing September 30, 2027. In addition, K. Hovnanian may also redeem up to 35.0% of the aggregate principal amount of New 1.125 Lien Notes prior to September 30, 2025 with the net cash proceeds from certain equity offerings at 108.0% of their principal amount.

The 11.75% Senior Secured 1.25 Lien Notes due 2029 (the "New 1.25 Lien Notes") have a maturity of September 30, 2029 and bear interest at a rate of 11.75% per annum payable semi-annually on March 30 and September 30 of each year to holders of record at the close of business on March 15 and September 15, as the case may be, immediately preceding such interest payment dates. The New 1.25 Lien Notes are redeemable in whole or in part at K. Hovnanian's option at any time prior to March 30, 2026 at a redemption price equal to 100% of their principal amount plus an applicable "Make Whole Amount". K. Hovnanian may also redeem some or all of the New 1.25 Lien Notes at 105.875% of their principal amount commencing on March 30, 2026, at 102.9375% of their principal amount commencing on September 30, 2027 and at 100.0% of their principal amount commencing on September 30, 2028. In addition, K. Hovnanian may also redeem up to 35.0% of the aggregate principal amount of New 1.25 Lien Notes prior to March 30, 2026, with the net cash proceeds from certain equity offerings at 111.75% of their principal amount.

The Secured Term Loans bear interest at a rate equal to 10.0% per annum (provided that the interest rate on all then outstanding Secured Term Loans shall be increased in certain circumstances when certain priority secured debt is issued, to a weighted average rate that results from applying (x) an 11.75% per annum rate to the principal amount of the Secured Term Loans equal to a specified aggregate principal amount of such priority secured debt and (y) a 10.0% per annum rate on the remaining principal amount of the Secured Term Loans) and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. At any time and from time to time after November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 100.0% of their principal amount.

Each series of secured notes and the guarantees thereof, the Secured Term Loans and the guarantees thereof and the Secured Credit Agreement and the guarantees thereof are secured by the same assets. Among the secured debt (in each case, with respect to the assets securing such debt): the liens securing the Secured Credit Agreement are senior to the liens securing all of K. Hovnanian's other secured notes and the Secured Term Loans; the liens securing the New 1.125 Lien Notes are senior to the liens securing the New 1.25 Lien Notes, the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the New 1.125 Lien Notes; the liens securing the New 1.25 Lien Notes are senior to the liens securing the Secured Term Loans and any other future secured obligations that are junior in priority with respect to the assets securing the New 1.25 Lien Notes; and the liens securing the Secured Term Loans are senior to any other future secured obligations that are junior in priority with respect to the assets securing the Secured Term Loans.

As of July 31, 2025, the collateral securing the Secured Credit Agreement, the Secured Term Loan Facility and the senior secured notes included (1) \$156.0 million of cash and cash equivalents, which included \$6.3 million of restricted cash collateralizing certain letters of credit (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) \$738.6 million aggregate book value of real property, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in joint venture holding companies with an aggregate book value of \$216.4 million.

Unsecured Obligations

The 5.0% Senior Notes due 2040 (the "5.0% 2040 Notes") bear interest at 5.0% per annum and mature on February 1, 2040. Interest on the 5.0% 2040 Notes is payable semi-annually on February 1 and August 1 of each year to holders of record at the close of business on January 15 or July 15, as the case may be, immediately preceding each such interest payment date. At any time and from time to time, K. Hovnanian may redeem some or all of the 5.0% 2040 Notes at a redemption price equal to 100.0% of their principal amount.

Other

We have certain stand-alone cash collateralized letter of credit agreements and facilities under which there was a total of \$6.2 million and \$2.6 million letters of credit outstanding at July 31, 2025 and October 31, 2024, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which is reflected in "Restricted cash and cash equivalents" on the Condensed Consolidated Balance Sheets.

13. Per Share Calculation

Basic and diluted earnings per share for the periods presented below were calculated as follows:

(In thousands, except per share data)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Numerator:				
Net income	\$ 16,615	\$ 72,919	\$ 64,532	\$ 147,659
Less: preferred stock dividends	(2,669)	(2,669)	(8,007)	(8,007)
Less: undistributed earnings allocated to participating securities	(233)	(1,548)	(1,428)	(4,660)
Numerator for basic earnings per share	\$ 13,713	\$ 68,702	\$ 55,097	\$ 134,992
Plus: undistributed earnings allocated to participating securities	233	1,548	1,428	4,660
Less: undistributed earnings reallocated to participating securities	(234)	(1,556)	(1,435)	(4,698)
Numerator for diluted earnings per share	\$ 13,712	\$ 68,694	\$ 55,090	\$ 134,954
Denominator:				
Denominator for basic earnings per share – weighted average shares outstanding	6,399	6,474	6,442	6,476
Effect of dilutive securities:				
Stock-based payments	488	574	494	572
Denominator for diluted earnings per share – weighted-average shares outstanding	6,887	7,048	6,936	7,048
Basic earnings per share	\$ 2.14	\$ 10.61	\$ 8.55	\$ 20.85
Diluted earnings per share	\$ 1.99	\$ 9.75	\$ 7.94	\$ 19.15

There were no anti-dilutive shares for the three and nine months ended July 31, 2025 and 2024.

14. Preferred Stock

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depository shares, with each depository share representing 1/1000th of a share of Series A preferred stock. We paid dividends of \$2.7 million and \$8.0 million on the Series A preferred stock for the three and nine months ended July 31, 2025 and 2024.

15. Common Stock

Each share of Class A common stock entitles its holder to one vote per share, and each share of Class B common stock generally entitles its holder to ten votes per share. The amount of any regular cash dividend payable on a share of Class A common stock will be an amount equal to 110% of the corresponding regular cash dividend payable on a share of Class B common stock. If a shareholder desires to sell shares of Class B common stock, such stock must be converted into shares of Class A common stock at a one-to-one conversion rate.

On August 4, 2008, the Board adopted a shareholder rights plan (the "Rights Plan"), which was amended on January 11, 2018, January 18, 2021, and January 11, 2024, and which is designed to preserve shareholder value and the value of certain tax assets primarily associated with net operating loss ("NOL") carryforwards and built-in losses under Section 382 of the Internal Revenue Code. Our ability to use NOLs and built-in losses would be limited if there was an "ownership change" under Section 382. This would occur if shareholders owning (or deemed under Section 382 to own) 5% or more of our stock increase their collective ownership of the aggregate amount of our outstanding shares by more than 50 percentage points over a defined period of time. The Rights Plan was adopted to reduce the likelihood of an "ownership change" occurring as defined by Section 382. Under the Rights Plan, one right was distributed for each share of Class A common Stock and Class B common Stock outstanding as of the close of business on August 15, 2008. Effective August 15, 2008, if any person or group acquires 4.9% or more of the outstanding shares of Class A common stock without the approval of the Board, there would be a triggering event causing significant dilution in the voting power of such person or group. However, existing shareholders who owned, at the time of the Rights Plan's initial adoption on August 4, 2008, 4.9% or more of the outstanding shares of Class A common stock will trigger a dilutive event only if they acquire additional shares. The approval of the Board's decision to adopt the Rights Plan may be terminated by the Board at any time prior to the Rights being triggered. The Rights Plan will continue in effect until August 14, 2027, unless it expires earlier in accordance with its terms. The approval of the Board's decision to initially adopt the Rights Plan and Amendments Nos. 1, 2 and 3 thereto were approved by shareholders. Our shareholders also approved an amendment to our Certificate of Incorporation to restrict certain transfers of Class A common stock in order to preserve the tax treatment of our NOLs and built-in losses under Section 382 of the Internal Revenue Code. Subject to certain exceptions pertaining to pre-existing 5% shareholders and holders of Class B common stock, the transfer restrictions in our Restated Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of our stock that result from the transfer of interests in other entities that own our stock) if the effect would be to (i) increase the direct or indirect ownership of our stock by any person (or public group) from less than 5% to 5% or more of our common stock; (ii) increase the percentage of our common stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of our common stock; or (iii) create a new "public group" (as defined in the applicable U.S. Treasury regulations). Transfers included under the transfer restrictions include sales to persons (or public groups) whose resulting percentage ownership (direct or indirect) of common stock would exceed the 5% thresholds discussed above, or to persons whose direct or indirect ownership of common stock would by attribution cause another person (or public group) to exceed such threshold.

On December 18, 2024, the Board authorized an incremental increase to our repurchase program and on April 11, 2025, the Board authorized another increase to our repurchase program, such that, inclusive of any amounts remaining under the existing repurchase authorization, as of April 11, 2025, we were authorized to repurchase up to \$30.6 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date.

During the nine months ended July 31, 2025, we repurchased 257,908 shares under the stock repurchase program, with a market value of \$30.1 million, or \$116.70 per share. During the nine months ended July 31, 2024, we repurchased 188,800 shares under the stock repurchase program, with a market value of \$26.5 million, or \$140.31 per share. The repurchased shares were added to "Treasury stock" on the Condensed Consolidated Balance Sheets. As of July 31, 2025, \$26.4 million of our Class A common stock was available to be purchased under the stock repurchase program.

16. Income Taxes

For the three and nine months ended July 31, 2025, we recorded income tax expense of \$7.2 million and \$25.7 million, respectively, and \$24.4 million and \$51.6 million for the same periods in the prior year, respectively. For both the three and nine months ended July 31, 2025, and both prior year periods, the expense was primarily driven by federal and state tax expense on income before income taxes and permanent differences, partially offset by the generation of energy home credits. The federal tax expense is not paid in cash as it is offset by the use of our existing NOL carryforwards.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted and signed into U.S. law. The OBBBA modifies or extends provisions enacted by the 2017 Tax Cuts and Jobs Act and introduces new provisions including the repeal of our ability to claim energy efficient home credits for homes that close after June 30, 2026. While the OBBBA does not have a material impact on our Condensed Consolidated Financial Statements, we will continue to monitor additional guidance issued by the U.S. Treasury Department, the Internal Revenue Service and various state agencies.

The Company recognizes deferred income taxes for deferred tax benefits arising from NOL carryforwards and temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. As part of our analysis, we considered both positive and negative factors that impact profitability and whether those factors would lead to a change in estimate of our deferred tax assets ("DTAs") that may be realized in the future. At July 31, 2025, the Company has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize its DTAs, net of any state valuation allowances.

17. Operating and Reporting Segments

HEI's operating segments are components of the Company's business for which discrete financial information is available and reviewed regularly by the chief operating decision maker, our Chief Executive Officer, to evaluate performance and make resource allocations.

We currently have homebuilding operations in 13 states that are aggregated into reportable segments based primarily upon geographic proximity.

HEI's reportable segments consist of the following three homebuilding segments and a financial services segment.

Homebuilding:

- (1) Northeast (Delaware, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia)
- (2) Southeast (Florida, Georgia and South Carolina)
- (3) West (Arizona, California and Texas)

Operations of the homebuilding segments primarily include the sale and construction of single-family attached and detached homes, attached townhomes and condominiums, urban infill and active lifestyle homes in planned residential developments. In addition, from time to time, operations of the homebuilding segments include sales of land. Operations of the financial services segment include mortgage banking and title services provided to the homebuilding operations' customers. Our financial services subsidiaries do not typically retain or service mortgages that we originate but sell the mortgages and related servicing rights to investors.

Corporate and unallocated primarily represents operations at our headquarters in New Jersey. This includes our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, construction services, administration of insurance, quality and safety. It also includes interest income and interest expense resulting from interest incurred that cannot be capitalized in inventory in the homebuilding segments, as well as the gains or losses on extinguishment of debt from any debt repurchases or exchanges.

Evaluation of segment performance is based primarily on income (loss) before income taxes. Income (loss) before income taxes for the homebuilding segments consist of revenues generated from the sales of homes and land, income (loss) from unconsolidated entities, management fees and other income, less the cost of homes and land sold, selling, general and administrative expenses and interest expense. Income (loss) before income taxes for the financial services segment consist of revenues generated from mortgage financing, title insurance and closing services, less the cost of such services and corporate general and administrative expenses.

Operational results of each segment are not necessarily indicative of the results that would have occurred had the segment been an independent stand-alone entity during the periods presented.

Financial information relating to our reportable segments was as follows:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Revenues:				
Northeast	\$ 289,180	\$ 255,332	\$ 830,209	\$ 645,859
Southeast	104,747	115,964	231,025	350,761
West	377,185	330,980	1,029,524	970,671
Total homebuilding	771,112	702,276	2,090,758	1,967,291
Financial services	28,566	18,888	66,826	51,323
Corporate and unallocated	905	1,540	3,093	6,666
Total revenues	\$ 800,583	\$ 722,704	\$ 2,160,677	\$ 2,025,280
Income (loss) before income taxes:				
Northeast	\$ 41,447	\$ 40,006	\$ 112,658	\$ 107,645
Southeast	11,639	20,449	21,752	62,391
West	(6,284)	21,009	15,275	77,198
Total homebuilding	46,802	81,464	149,685	247,234
Financial services	13,851	6,526	25,783	15,467
Corporate and unallocated (1)	(36,851)	9,279	(85,273)	(63,477)
Income before income taxes	\$ 23,802	\$ 97,269	\$ 90,195	\$ 199,224

- (1) Corporate and unallocated for the three months ended July 31, 2025, included corporate general and administrative expenses of \$35.0 million and \$1.9 million of other net expenses. Corporate and unallocated for the nine months ended July 31, 2025, included corporate general and administrative expenses of \$97.2 million, \$11.5 million of other income, and \$0.4 million of gain on extinguishment of debt. Corporate and unallocated for the three months ended July 31, 2024, included corporate general and administrative expenses of \$38.4 million, a reduction in interest expense of \$5.4 million (a component of Other interest in our Condensed Consolidated Statements of Operations) and \$42.3 million of other income. Corporate and unallocated for the nine months ended July 31, 2024, included corporate general and administrative expenses of \$108.1 million, \$43.2 million of other income and \$1.4 million of gain on extinguishment of debt.

(In thousands)	July 31, 2025	October 31, 2024
Assets:		
Northeast	\$ 699,572	\$ 664,064
Southeast	361,570	296,058
West	915,324	889,704
Total homebuilding	1,976,466	1,849,826
Financial services	173,775	203,589
Corporate and unallocated	479,111	552,159
Total assets	\$ 2,629,352	\$ 2,605,574

18. Investments in Unconsolidated Homebuilding and Land Development Joint Ventures

We enter into homebuilding and land development joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile, leveraging our capital base and enhancing returns on capital.

During the second quarter of fiscal 2024, we contributed 11 communities we owned, including three active selling communities to a new unconsolidated joint venture for \$53.8 million of net cash.

During the third quarter of fiscal 2024, we assumed control of one of our unconsolidated joint ventures after the partner received their final cash distribution. We consolidated the remaining assets and liabilities that were in the unconsolidated joint venture at fair value on the date of such distribution. Upon consolidation, we recorded a gain of \$45.7 million in "Other (income) expense, net" for the three and nine months ended July 31, 2024.

During the first quarter of fiscal 2025, we contributed four active selling communities we owned to one new unconsolidated joint venture for \$20.8 million of net cash and a \$50.0 million note receivable, resulting in a gain of \$22.7 million, which was recorded in "Other (income) expense, net."

During the third quarter of fiscal 2025, we contributed two communities in planning to a new unconsolidated joint venture for \$2.8 million of cash.

The tables set forth below summarize the combined financial information related to our unconsolidated homebuilding and land development joint ventures that are accounted for under the equity method.

(In thousands)	July 31, 2025		
	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	\$ 127,319	\$ -	\$ 127,319
Inventories	569,264	-	569,264
Other assets	187,959	-	187,959
Total assets	\$ 884,542	\$ -	\$ 884,542
Liabilities and equity:			
Accounts payable and accrued liabilities	\$ 391,659	\$ -	\$ 391,659
Notes payable	124,621	-	124,621
Total liabilities	516,280	-	516,280
Equity of:			
Hovnanian Enterprises, Inc.	216,432	-	216,432
Others	151,830	-	151,830
Total equity	368,262	-	368,262
Total liabilities and equity	\$ 884,542	\$ -	\$ 884,542
Debt to capitalization ratio	25%	0%	25%

(In thousands)	October 31, 2024		
	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	\$ 130,532	\$ -	\$ 130,532
Inventories	402,628	-	402,628
Other assets	311,955	-	311,955
Total assets	\$ 845,115	\$ -	\$ 845,115
Liabilities and equity:			
Accounts payable and accrued liabilities	\$ 469,320	\$ -	\$ 469,320
Notes payable	88,653	-	88,653
Total liabilities	557,973	-	557,973
Equity of:			
Hovnanian Enterprises, Inc.	140,540	-	140,540
Others	146,602	-	146,602
Total equity	287,142	-	287,142
Total liabilities and equity	\$ 845,115	\$ -	\$ 845,115
Debt to capitalization ratio	24%	0%	24%

As of July 31, 2025 and October 31, 2024, we had outstanding advances to unconsolidated joint ventures of \$1.9 million and \$2.4 million, respectively. These amounts were included in “Accounts payable and accrued liabilities” in the tables above. In some cases, our net investment in unconsolidated joint ventures is less than our proportionate share of equity reflected in the tables above because of differences between asset impairments recorded against our unconsolidated joint venture investments and any impairments recorded in the applicable unconsolidated joint venture. During the nine months ended July 31, 2025 and 2024, we did not write-down any of our unconsolidated joint venture investments.

Three Months Ended July 31, 2025			
(In thousands)	Homebuilding	Land Development	Total
Revenues	\$ 166,887	\$ -	\$ 166,887
Cost of sales and expenses	(152,679)	-	(152,679)
Joint venture net income	\$ 14,208	\$ -	\$ 14,208
Our share of net income	\$ 15,511	\$ -	\$ 15,511

Three Months Ended July 31, 2024			
(In thousands)	Homebuilding	Land Development	Total
Revenues	\$ 155,930	\$ -	\$ 155,930
Cost of sales and expenses	(134,612)	414	(134,198)
Joint venture net income	\$ 21,318	\$ 414	\$ 21,732
Our share of net income	\$ 10,698	\$ -	\$ 10,698

Nine Months Ended July 31, 2025			
(In thousands)	Homebuilding	Land Development	Total
Revenues	\$ 446,939	\$ -	\$ 446,939
Cost of sales and expenses	(406,894)	-	(406,894)
Joint venture net income	\$ 40,045	\$ -	\$ 40,045
Our share of net income	\$ 33,759	\$ -	\$ 33,759

Nine Months Ended July 31, 2024			
(In thousands)	Homebuilding	Land Development	Total
Revenues	\$ 406,399	\$ -	\$ 406,399
Cost of sales and expenses	(354,388)	414	(353,974)
Joint venture net income	\$ 52,011	\$ 414	\$ 52,425
Our share of net income	\$ 36,814	\$ -	\$ 36,814

The reason “Our share of net income” in homebuilding joint ventures is higher or lower than the “Joint venture net income” in the tables above is a result of our varying ownership percentages in each investment. For the three and nine months ended July 31, 2025 and 2024, respectively, we had investments in eight and seven unconsolidated joint ventures, respectively, and our ownership in these joint ventures ranged from 20% to over 50% for both periods. Therefore, depending on mix, if the unconsolidated joint ventures in which we have higher sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a higher overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage; conversely, if the unconsolidated joint ventures in which we have lower sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a lower overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage. For the three months ended July 31, 2025, “Our share of net income” was greater than the “Joint venture net income” due to one unconsolidated joint venture with increased income during the period for which we currently recognize a higher profit sharing percentage based on the joint venture agreement and one unconsolidated joint venture with increased losses during the period for which the book value of our investment is zero and therefore we did not recognize our share of the losses. For the nine months ended July 31, 2025, “Our share of net income” was less than the “Joint venture net income” due to two unconsolidated joint ventures with increased income during the period for which we currently recognize a lower profit sharing percentage based on the joint venture agreements, partially offset by one unconsolidated joint venture with increased losses during the period for which the book value of our investment is zero and therefore we did not recognize our share of the losses.

To compensate us for the administrative services we provide as the manager of certain unconsolidated joint ventures, we receive a management fee based on a percentage of the applicable unconsolidated joint ventures' revenues. These management fees, which totaled \$6.7 million and \$5.5 million for the three months ended July 31, 2025 and 2024, respectively, and \$18.1 million and \$14.0 million for the nine months ended July 31, 2025 and 2024, respectively, are recorded in "Selling, general and administrative" homebuilding expenses in the Condensed Consolidated Statements of Operations.

Our unconsolidated joint ventures may obtain separate project specific mortgage financing. Any unconsolidated joint venture financing is on a nonrecourse basis, with guarantees from us limited only to performance and completion of development, environmental warranties and indemnification, standard indemnification for fraud, misrepresentation and other similar actions, including a voluntary bankruptcy filing. In some instances, the unconsolidated joint venture entity is considered a VIE due to the returns being capped to the equity holders; however, in these instances, we have determined that we are not the primary beneficiary, and therefore we do not consolidate these entities.

19. Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within the segment measure of profit or loss. This guidance will be applied retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023, and interim reporting periods in fiscal years beginning after December 31, 2024. We are currently evaluating the potential impact, but we do not expect the adoption of this guidance to have a material impact on our Condensed Consolidated Financial Statements.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 requires enhanced disclosures related to the rate reconciliation and information on income taxes paid. This guidance will be applied prospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2024. We are currently evaluating the potential impact the adoption of this guidance will have on our Condensed Consolidated Financial Statements.

In November 2024, the FASB issued ASU 2024-03, "Disaggregation of Income Statement Expenses" ("ASU 2024-03"). ASU 2024-03 requires disclosure of additional information about specific cost and expense categories in the notes to the financial statements. This guidance will be applied either prospectively or retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2026, and interim reporting periods in fiscal years beginning after December 15, 2027. We are currently evaluating the potential impact the adoption of this guidance will have on our Condensed Consolidated Financial Statements.

20. Fair Value of Financial Instruments

We use a fair-value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Fair value determined based on quoted prices in active markets for identical assets.
- Level 2: Fair value determined using significant other observable inputs.
- Level 3: Fair value determined using significant unobservable inputs.

Our financial instruments measured at fair value on a recurring basis are summarized below:

(In thousands)	Fair Value Hierarchy	Fair Value at July 31, 2025	Fair Value at October 31, 2024
Mortgage loans held for sale (1)	Level 2	\$ 130,545	\$ 148,925

(1) The aggregate unpaid principal balance was \$132.0 million and \$149.4 million at July 31, 2025 and October 31, 2024, respectively.

Fair value of mortgage loans held for sale is based on independent quoted market prices, where available, or the prices for other mortgage loans with similar characteristics.

The financial services segment had a pipeline of loan applications in process of \$487.7 million at July 31, 2025. Loans in process for which interest rates were committed to the borrowers totaled \$60.6 million as of July 31, 2025. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments are expected to expire without being exercised by the borrowers, the total commitments do not necessarily represent future cash requirements.

In addition, the financial services segment uses investor commitments and forward sales of mandatory MBS to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by entering into MBS forward commitments, option contracts with investment banks, federally regulated bank affiliates and loan sales transactions with permanent investors meeting the segment's credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At July 31, 2025, we had no open mandatory investor commitments to sell MBS.

Changes in fair value that are included in income are shown by financial instrument and financial statement line item, below:

(In thousands)	Three Months Ended July 31, 2025		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ (644)	\$ -	\$ -

(In thousands)	Three Months Ended July 31, 2024		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 598	\$ -	\$ -

(In thousands)	Nine Months Ended July 31, 2025		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ (1,554)	\$ -	\$ -

(In thousands)	Nine Months Ended July 31, 2024		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 1,482	\$ -	\$ -

Assets measured at fair value on a nonrecurring basis are those assets for which we have recorded valuation adjustments and write-offs during the three and nine months ended July 31, 2025, respectively. The assets measured at fair value on a nonrecurring basis are all within our homebuilding operations and are summarized below:

Three Months Ended July 31, 2025				
(In thousands)	Fair Value Hierarchy	Pre-Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 35,879	\$ (7,630)	\$ 28,249

Three Months Ended July 31, 2024				
(In thousands)	Fair Value Hierarchy	Pre-Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 15,245	\$ (2,653)	\$ 12,592

Nine Months Ended July 31, 2025				
(In thousands)	Fair Value Hierarchy	Pre-Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 41,276	\$ (8,846)	\$ 32,430

Nine Months Ended July 31, 2024				
(In thousands)	Fair Value Hierarchy	Pre-Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	\$ 15,245	\$ (2,653)	\$ 12,592

We recorded inventory impairments, which are included in the Condensed Consolidated Statements of Operations as "Inventory impairments and land option write-offs" and deducted from inventory of \$7.6 million and \$8.8 million for the three and nine months ended July 31, 2025, respectively. We recorded an inventory impairment, which is included in the Condensed Consolidated Statements of Operations as "Inventory impairments and land option write-offs" and deducted from inventory of \$2.7 million for both the three and nine months ended July 31, 2024, respectively.

The fair value of our cash equivalents, restricted cash and cash equivalents and customers' deposits approximates their carrying amount, based on Level 1 inputs.

The fair value of each series of our Notes and Credit Facilities are listed below. Level 2 measurements are estimated based on recent trades or quoted market prices for the same issues or based on recent trades or quoted market prices for our debt of similar security and maturity to achieve comparable yields. Level 3 measurements are estimated based on third-party broker quotes or management's estimate of the fair value based on available trades for similar debt instruments. As shown in the table below, our 8.0% Senior Secured 1.125 Lien Notes due 2028 and 11.75% Senior Secured 1.25 Lien Notes due 2029 were a Level 2 measurement at July 31, 2025 due to recent trades for the same notes.

Fair Value as of July 31, 2025				
(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	\$ -	\$ 227,070	\$ -	\$ 227,070
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	465,062	-	465,062
Senior Notes:				
5.0% Senior Notes due February 1, 2040	-	-	15,595	15,595
Senior Credit Facilities:				
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	184,571	184,571
Total fair value	\$ -	\$ 692,132	\$ 200,166	\$ 892,298

Fair Value as of October 31, 2024				
(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	\$ -	\$ 231,068	\$ -	\$ 231,068
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	474,561	-	474,561
Senior Notes:				
13.5% Senior Notes due February 1, 2026	-	-	27,020	27,020
5.0% Senior Notes due February 1, 2040	-	11,485	-	11,485
Senior Credit Facilities:				
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	190,041	190,041
Total fair value	\$ -	\$ 717,114	\$ 217,061	\$ 934,175

The Senior Secured Revolving Credit Facility is not included in the above tables because there were no borrowings outstanding thereunder at July 31, 2025 and October 31, 2024.

21. Transactions with Related Parties

From time to time, an engineering firm owned by Tavit Najarian, a relative of Ara K. Hovnanian, our Chairman and Chief Executive Officer, provides services to the Company. During the three months ended July 31, 2025 and 2024, the services provided by such engineering firm to the Company totaled \$0.1 million and \$0.3 million, respectively. During the nine months ended July 31, 2025 and 2024, the services provided by such engineering firm to the Company totaled \$0.5 million and \$0.9 million, respectively. Neither the Company nor Mr. Hovnanian has a financial interest in the relative's company from whom the services were provided.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Hovnanian Enterprises, Inc. ("HEI") conducts all of its homebuilding and financial services operations through its subsidiaries (references herein to the "Company," "we," "us" or "our" refer to HEI and its consolidated subsidiaries and should be understood to reflect the consolidated business of HEI's subsidiaries).

Key Performance Indicators

The following key performance indicators are commonly used in the homebuilding industry and by management as a means to better understand our operating performance and trends affecting our business and compare our performance with the performance of other homebuilders. We believe these key performance indicators also provide useful information to investors in analyzing our performance:

- *Net contracts* is a volume indicator which represents the number of new contracts executed during the period for the purchase of homes, less cancellations of contracts in the same period. The dollar value of net contracts represents the dollars associated with net contracts executed in the period. These values are an indicator of potential future revenues;
- *Contract backlog* is a volume indicator which represents the number of homes that are under contract, but not yet delivered as of the stated date. The dollar value of contract backlog represents the dollar amount of the homes in contract backlog. These values are an indicator of potential future revenues;
- *Active selling communities* is a volume indicator which represents the number of communities which are open for sale with ten or more home sites available as of the end of a period. We identify communities based on product type; therefore, at times there are multiple communities at one land site. These values are an indicator of potential revenues;
- *Net contracts per active selling community* is used to indicate the pace at which homes are being sold (put into contract) in active selling communities and is calculated by dividing the number of net contracts in a period by the number of active selling communities in the same period. Sales pace is an indicator of market strength and demand; and
- *Contract cancellation rates* is a volume indicator which represents the number of sales contracts cancelled in the period divided by the number of gross sales contracts executed during the period. Contract cancellation rates as a percentage of backlog is calculated by dividing the number of cancelled contracts in the period by the contract backlog at the beginning of the period. Cancellation rates as compared to prior periods can be an indicator of market strength or weakness.

Overview

Market Conditions and Operating Results

The demand for new and existing homes is dependent on a variety of demographic and economic factors, including job and wage growth, household formation, consumer confidence, mortgage financing, interest rates, inflation and overall housing affordability.

During fiscal 2024 and continuing through the first nine months of fiscal 2025, mortgage rates have fluctuated but still remain at a persistently high level. As a result, affordability generally remains challenging for homebuyers. We have stayed aggressive in our pricing, incentives and concessions in order to align with the current market.

We continue to use our increased inventory of quick move-in homes ("QMI homes") to help meet buyers' needs for more affordable housing in the existing uncertain interest rate environment. The time between contract signing and closing is shorter with a QMI home as compared to a to be built home, which provides customers with more certainty on their mortgage pricing. The availability of QMI homes also allows us to offer mortgage interest rate buydown assistance, which is a tool we offer through our wholly-owned mortgage banking subsidiary ("K. Hovnanian Mortgage"), to help ease the impact of higher monthly payments from rising interest rates. We pay the cost of interest rate buydowns for customers that qualify through K. Hovnanian Mortgage and decide to use the program. The level of interest rate based incentives utilized differs across our markets and is one of several available options we use to drive sales and close homes.

Although the long-term fundamentals of the new home market remain favorable, during the first nine months of fiscal 2025, volatility in the broader economy and affordability constraints caused many consumers to delay purchasing a new home. As a result of this more difficult sales environment, we experienced a decrease in net contracts compared to the first nine months of fiscal 2024, although net contracts for the third quarter of fiscal 2025 increased from the prior year period. Even as mortgage rates increased and we focused on increasing sales pace versus price, we were still able to raise net prices in approximately 40%, 31% and 21% of our communities during the first, second and third quarters of fiscal 2025, respectively.

There remains a great degree of uncertainty due to inflation, tariffs, the continued possibility of an economic recession, employment risk and the potential for further mortgage rate increases. While we continue to experience some supply chain issues, we remain focused on continuing to shorten our construction cycle times and building on our national initiatives to drive down costs with our material providers and trade partners. The changing conditions in the housing market, and in the general economy, makes it difficult to predict how strongly our business will be impacted by these external factors over the remainder of fiscal 2025 and beyond.

During the nine months ended July 31, 2025, our cash position allowed us to spend \$660.0 million on land purchases and land development for long-term growth, redeem \$26.6 million of senior notes, repurchase \$30.1 million of our common stock, and still have total liquidity of \$277.9 million, including \$146.6 million of homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility as of July 31, 2025.

Information on our operating results for the three and nine months ended July 31, 2025 are as follows:

- Sale of homes revenues increased to \$769.1 million for the three months ended July 31, 2025 from \$687.4 million for the three months ended July 31, 2024, and increased to \$2.1 billion for the nine months ended July 31, 2025 from \$1.9 billion for the nine months ended July 31, 2024. There was a 14.0% and 10.2% increase in the number of home deliveries for the three and nine months ended July 31, 2025, compared to the same periods of the prior year, partially offset by a decrease in average price of 1.9% and 3.8% for the three and nine months ended July 31, 2025, compared to the same periods of the prior year. The increase in deliveries was primarily the result of an increase in our backlog conversion ratio, while the decrease in average price was the result of the geographic and community mix of our deliveries.
- Gross margin dollars decreased 31.3% and 24.8% for the three and nine months ended July 31, 2025, as compared to the same periods of the prior year, while gross margin percentage decreased to 11.7% and 13.5% for the three and nine months ended July 31, 2025, respectively, from 19.1% and 18.9% for the three and nine months ended July 31, 2024, respectively. Gross margin percentage, before cost of sales interest expense and land charges, decreased to 17.3% for the three months ended July 31, 2025 from 22.1% for the three months ended July 31, 2024, and decreased to 17.6% for the nine months ended July 31, 2025 from 22.2% for the nine months ended July 31, 2024. The decrease in gross margin percentage was primarily due to increased use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable. In the current homebuilding environment, we remain focused on driving financial performance by increasing our sales pace versus achieving a higher gross margin.

- Income before income taxes decreased to \$23.8 million for the three months ended July 31, 2025 from \$97.3 million for the three months ended July 31, 2024, and decreased to \$90.2 million for the nine months ended July 31, 2025 from \$199.2 million for the nine months ended July 31, 2024. Net income decreased to \$16.6 million for the three months ended July 31, 2025 from \$72.9 million for the three months ended July 31, 2024, and decreased to \$64.5 million for the nine months ended July 31, 2025 from \$147.7 million for the nine months ended July 31, 2024. Included in income before income taxes for the nine months ended July 31, 2025 was a gain of \$22.7 million related to the contribution of assets to a new joint venture. For the nine months ended July 31, 2024, income before taxes included a gain of \$45.7 million related to the consolidation of a joint venture. Earnings per share, basic and diluted, decreased to \$2.14 and \$1.99, respectively, for the three months ended July 31, 2025 compared to \$10.61 and \$9.75, respectively, for the three months ended July 31, 2024. Earnings per share, basic and diluted, decreased to \$8.55 and \$7.94, respectively, for the nine months ended July 31, 2025 compared to \$20.85 and \$19.15, respectively, for the nine months ended July 31, 2024.

- Net contracts increased 1.6% for the three months ended July 31, 2025 and decreased 0.4% for the nine months ended July 31, 2025, compared to the same periods of the prior year. The increase for the three months ended is primarily due to our current strategy of using increased incentives to drive sale pace. During the third quarter of fiscal 2025, incentives were 11.6% of the average sales price, which is up 3.9% from the same period of the prior year and up 1.1% from the second quarter of fiscal 2025. The slight decrease in net contracts for the nine months ended July 31, 2025 is due to continued macroeconomic uncertainty that permeated throughout the period leading to low consumer confidence.

- Net contracts per active selling community increased to 9.8 and 30.8 for the three and nine months ended July 31, 2025, respectively, compared to 9.5 and 30.4 in the same periods of the prior year, primarily due to our focus on sales pace over price.

- Contract backlog decreased from 2,041 homes at July 31, 2024 to 1,491 homes at July 31, 2025, and the dollar value of contract backlog decreased to \$838.8 million, a 27.6% decrease in dollar value compared to the prior year, as our backlog conversion ratio has increased from the prior year period due to our having more QMI homes available to sell and deliver.

Results of Operations

Total Revenues

Compared to the same period in the prior year, revenues increased (decreased) as follows:

(Dollars in thousands)	Three Months Ended			
	July 31, 2025	July 31, 2024	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	\$ 769,050	\$ 687,424	\$ 81,626	11.9%
Land sales and other revenues	2,967	16,392	(13,425)	(81.9)%
Financial services	28,566	18,888	9,678	51.2%
Total revenues	\$ 800,583	\$ 722,704	\$ 77,879	10.8%

(Dollars in thousands)	Nine Months Ended			
	July 31, 2025	July 31, 2024	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	\$ 2,066,278	\$ 1,947,989	\$ 118,289	6.1%
Land sales and other revenues	27,573	25,968	1,605	6.2%
Financial services	66,826	51,323	15,503	30.2%
Total revenues	\$ 2,160,677	\$ 2,025,280	\$ 135,397	6.7%

Homebuilding: Sale of Homes

For the three and nine months ended July 31, 2025, sale of homes revenues increased 11.9% and 6.1%, respectively, compared to the same periods in the prior year. The sale of homes revenue increased due to a 14.0% and 10.2% increase in homes delivered, respectively, partially offset by a 1.9% and 3.8% decrease in the average price per home for the three and nine months ended July 31, 2025, respectively, compared with the prior year periods. The average price per home decreased to \$537,421 in the three months ended July 31, 2025 from \$547,748 in the three months ended July 31, 2024. The average price per home decreased to \$520,473 in the nine months ended July 31, 2025 from \$540,958 in the nine months ended July 31, 2024. The increase in deliveries was primarily the result of an increase in our backlog conversion ratio. The decrease in average price was the result of the geographic and community mix of our deliveries. For further detail on changes in segment revenues see “Homebuilding: Operations by Segment” below. For further detail on land sales and other revenues, see “Homebuilding: Land Sales and Other Revenues” below.

Information on the sale of homes is set forth in the table below:

(Dollars in thousands, except average sales price)	Three Months Ended July 31,			Nine Months Ended July 31,		
	2025	2024	% Change	2025	2024	% Change
Consolidated total:						
Housing revenues	\$ 769,050	\$ 687,424	11.9%	\$ 2,066,278	\$ 1,947,989	6.1%
Homes delivered	1,431	1,255	14.0%	3,970	3,601	10.2%
Average sales price	\$ 537,421	\$ 547,748	(1.9)%	\$ 520,473	\$ 540,958	(3.8)%
Unconsolidated joint ventures:						
(1)						
Housing revenues	\$ 165,148	\$ 151,443	9.0%	\$ 441,419	\$ 396,901	11.2%
Homes delivered	246	227	8.4%	650	615	5.7%
Average sales price	\$ 671,333	\$ 667,150	0.6%	\$ 679,106	\$ 645,367	5.2%

(1) Represents housing revenues and home deliveries for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 18 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a further discussion of our unconsolidated joint ventures.

Homebuilding: Land Sales and Other Revenues

Land sales and other revenues decreased \$13.4 for the three months ended July 31, 2025 and increased \$1.6 million for the nine months ended July 31, 2025, compared to the same periods in the prior year. Revenue associated with land sales can vary significantly due to the mix of land parcels sold. There were two and five land sales during the three and nine months ended July 31, 2025, respectively, and one and two land sales in the three and nine months ended July 31, 2024, respectively. Land sales revenues decreased \$13.0 million and increased \$4.8 million during the three and nine months ended July 31, 2025, respectively, compared to the same periods in the prior year. Other revenues, which includes interest income, decreased due to lower rates on our cash and cash equivalent accounts during the first three quarters of fiscal 2025, partially offsetting the increase in land sales revenues for the nine months ended July 31, 2025.

Homebuilding: Cost of Sales

Cost of sales includes expenses for homebuilding and land and lot sales, including inventory impairments and land option write-offs (defined as "land charges" in the tables below). A breakout of such expenses for homebuilding and land and lot sales and the gross margins for each is set forth below.

Homebuilding gross margin, before cost of sales interest expense and land charges, is a non-GAAP financial measure. This measure should not be considered as an alternative to homebuilding gross margin determined in accordance with U.S. GAAP as an indicator of operating performance.

Management believes this non-GAAP measure enables investors to better understand our operating performance. This measure is also useful internally, helping management evaluate our operating results on a consolidated basis and relative to other companies in our industry. In particular, the magnitude and volatility of land charges for the Company, and for other homebuilders, have been significant and, as such, have made comparable financial analysis of our industry more difficult. Homebuilding metrics excluding land charges, as well as interest amortized to cost of sales, and other similar presentations prepared by analysts and other companies are frequently used to assist investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective levels of impairments and debt.

(Dollars in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Sale of homes	\$ 769,050	\$ 687,424	\$ 2,066,278	\$ 1,947,989
Cost of sales, excluding interest expense and land charges	636,015	535,425	1,702,360	1,515,258
Homebuilding gross margin, before cost of sales interest expense and land charges	133,035	151,999	363,918	432,731
Cost of sales interest expense, excluding land sales interest expense	26,868	20,351	65,544	61,792
Homebuilding gross margin, after cost of sales interest expense, before land charges	106,167	131,648	298,374	370,939
Land charges	16,045	446	20,141	985
Homebuilding gross margin	\$ 90,122	\$ 131,202	\$ 278,233	\$ 369,954
Homebuilding gross margin percentage	11.7%	19.1%	13.5%	18.9%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	17.3%	22.1%	17.6%	22.2%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	13.8%	19.2%	14.4%	19.0%

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Sale of homes	100.0%	100.0%	100.0%	100.0%
Cost of sales, excluding interest expense and land charges:				
Housing, land and development costs	71.0%	69.1%	71.1%	68.3%
Commissions	3.2%	3.0%	3.2%	3.3%
Financing concessions	4.4%	2.2%	3.8%	2.3%
Overheads	4.1%	3.6%	4.3%	3.9%
Total cost of sales, excluding interest expense and land charges	82.7%	77.9%	82.4%	77.8%
Cost of sales interest	3.5%	2.9%	3.2%	3.2%
Land charges	2.1%	0.1%	0.9%	0.1%
Homebuilding gross margin percentage	11.7%	19.1%	13.5%	18.9%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	17.3%	22.1%	17.6%	22.2%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	13.8%	19.2%	14.4%	19.0%

We sell a variety of home types in various communities, each yielding a different gross margin. As a result, depending on the mix of communities delivering homes, consolidated gross margin may fluctuate up or down. Total homebuilding gross margin percentage decreased to 11.7% and 13.5% for the three and nine months ended July 31, 2025, compared to 19.1% and 18.9% for the prior year periods. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges decreased to 17.3% and 17.6% for the three and nine months ended July 31, 2025, compared to 22.1% and 22.2% for the three and nine months ended July 31, 2024. The decrease in gross margin percentage for the three and nine months ended July 31, 2025 was primarily due to increased use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable.

Land and lot sale expenses and gross margins are set forth below:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2025	2024	2025	2024
Land and lot sales	\$ 1,193	\$ 14,230	\$ 20,623	\$ 15,783
Cost of sales, excluding interest	241	11,907	10,475	12,789
Land and lot sales gross margin, excluding interest	952	2,323	10,148	2,994
Land and lot sales interest expense	-	1,965	618	1,965
Land and lot sales gross margin, including interest	\$ 952	\$ 358	\$ 9,530	\$ 1,029

Land sales are ancillary to our homebuilding operations and are expected to continue in the future but may fluctuate significantly.

Homebuilding: Inventory Impairments and Land Option Write-Offs

Inventory impairments and land option write-offs reflects certain inventories we have either written off or written down to their estimated fair value totaling \$16.0 million and \$3.1 million in expense for the three months ended July 31, 2025 and 2024, respectively, and \$20.1 million and \$3.6 million during the nine months ended July 31, 2025 and 2024, respectively. Inventory impairments amounted to \$7.6 million and \$8.8 million during the three and nine months ended July 31, 2025, respectively, and \$2.7 million during both the three and nine months ended July 31, 2024. The impairments recorded for fiscal 2025 were for two communities in the Northeast segment and three communities in the West segment. The impairment recorded for fiscal 2024 was for one community in the West segment. We wrote-off residential land option, approval and engineering costs across each of our segments during the first three quarters of both fiscal 2025 and 2024.

Homebuilding: Selling, General and Administrative

Homebuilding selling, general and administrative (“SGA”) expenses increased \$4.8 million to \$55.8 million for the three months ended July 31, 2025 and increased \$14.7 million to \$161.1 million for the nine months ended July 31, 2025 compared to the same periods in the prior year. The increase for the three and nine months ended July 31, 2025 compared to the same periods in the prior year was primarily due to an increase in selling overhead from higher advertising costs and an increase in total compensation expense as a result of an increase in headcount from opening more communities along with the cost of annual merit increases.

Homebuilding: Key Performance Indicators*Net Contracts Per Active Selling Community*

Net contracts per active selling community for the three and nine months ended July 31, 2025 were 9.8 and 30.8, respectively, compared to 9.5 and 30.4 for the same periods in the prior year, respectively. Our reported level of sales contracts (net of cancellations) was impacted by increasing incentives and concessions to drive customer demand for QMI homes.

Contract Cancellation Rates

The following table provides historical quarterly cancellation rates, which represents the number of cancelled contracts in the quarter divided by the number of gross sales contracts executed in the quarter, excluding unconsolidated joint ventures:

Quarter	2025	2024	2023	2022	2021
First	16%	14%	30%	14%	17%
Second	15%	14%	18%	17%	16%
Third	19%	17%	16%	27%	16%
Fourth		18%	25%	41%	15%

The following table provides quarterly contract cancellations as a percentage of the beginning backlog, excluding unconsolidated joint ventures:

Quarter	2025	2024	2023	2022	2021
First	14%	10%	16%	8%	11%
Second	15%	13%	16%	9%	9%
Third	17%	12%	12%	8%	6%
Fourth		15%	13%	13%	6%

Most cancellations occur within the legal rescission period, which varies by state but is generally less than two weeks after the signing of the contract. Cancellations also occur as a result of a buyer's failure to qualify for a mortgage, which generally occurs during the first few weeks after signing. Due to our solid backlog position, our cancellation rate as a percentage of beginning backlog for the third quarter of fiscal 2025 was 17%, which approximates our historical normal rate. When sales pace is increasing, the cancellation rate as a percentage of beginning backlog tends to lag the changes seen in our cancellation rate as a percentage of gross sales. Market conditions still remain uncertain and it is difficult to predict what cancellation rates will be in the future.

Contract Backlog

Our consolidated sales contracts and homes in contract backlog, excluding unconsolidated joint ventures, by segment is set forth below:

(Dollars in thousands)	Net Contracts for the Three Months Ended July 31,		Net Contracts for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	2025	2024	2025	2024	2025	2024
Northeast:						
Dollars	\$ 226,020	\$ 260,081	\$ 739,452	\$ 835,809	\$ 444,862	\$ 617,520
Number of homes	416	414	1,353	1,346	761	898
Southeast:						
Dollars	\$ 79,267	\$ 63,990	\$ 239,237	\$ 206,722	\$ 130,678	\$ 147,268
Number of homes	157	114	461	388	228	316
West (1):						
Dollars	\$ 314,349	\$ 321,722	\$ 990,833	\$ 1,013,424	\$ 263,272	\$ 393,980
Number of homes	638	664	2,000	2,097	502	827
Total (1):						
Dollars	\$ 619,636	\$ 645,793	\$ 1,969,522	\$ 2,055,955	\$ 838,812	\$ 1,158,768
Number of homes	1,211	1,192	3,814	3,831	1,491	2,041

(1) Reflects the reclassification of eight consolidated homes and \$5.0 million of contract backlog as of January 31, 2025, from the West segment to an unconsolidated joint venture. This is related to the assets and liabilities contributed to the joint venture we entered into during the three months ended January 31, 2025.

Contract backlog dollars decreased 27.6% as of July 31, 2025 compared to July 31, 2024, and the number of homes in backlog decreased 26.9% for the same period. The decrease in contract backlog dollars and number of homes as of July 31, 2025 compared to July 31, 2024, was primarily driven by an increase in sales of QMI homes and improved contract backlog conversion.

Homebuilding: Operations by Segment

Financial information relating to our homebuilding operations by segment was as follows:

	Three Months Ended July 31,			
(Dollars in thousands, except average sales price)	2025	2024	Variance	Variance %
Northeast				
Homebuilding revenue	\$ 289,180	\$ 255,332	\$ 33,848	13.3%
Income before income taxes	\$ 41,447	\$ 40,006	\$ 1,441	3.6%
Homes delivered	479	404	75	18.6%
Average sales price	\$ 601,269	\$ 630,653	\$ (29,384)	(4.7)%
Southeast				
Homebuilding revenue	\$ 104,747	\$ 115,964	\$ (11,217)	(9.7)%
Income before income taxes	\$ 11,639	\$ 20,449	\$ (8,810)	(43.1)%
Homes delivered	195	231	(36)	(15.6)%
Average sales price	\$ 535,862	\$ 501,316	\$ 34,546	6.9%
West				
Homebuilding revenue	\$ 377,185	\$ 330,980	\$ 46,205	14.0%
(Loss) income before income taxes	\$ (6,284)	\$ 21,009	\$ (27,293)	(129.9)%
Homes delivered	757	620	137	22.1%
Average sales price	\$ 497,423	\$ 511,026	\$ (13,603)	(2.7)%
	Nine Months Ended July 31,			
(Dollars in thousands, except average sales price)	2025	2024	Variance	Variance %
Northeast				
Homebuilding revenue	\$ 830,209	\$ 645,859	\$ 184,350	28.5%
Income before income taxes	\$ 112,658	\$ 107,645	\$ 5,013	4.7%
Homes delivered	1,374	1,067	307	28.8%
Average sales price	\$ 601,216	\$ 602,138	\$ (922)	(0.2)%
Southeast				
Homebuilding revenue	\$ 231,025	\$ 350,761	\$ (119,736)	(34.1)%
Income before income taxes	\$ 21,752	\$ 62,391	\$ (40,639)	(65.1)%
Homes delivered	472	672	(200)	(29.8)%
Average sales price	\$ 488,417	\$ 520,537	\$ (32,120)	(6.2)%
West				
Homebuilding revenue	\$ 1,029,524	\$ 970,671	\$ 58,853	6.1%
Income before income taxes	\$ 15,275	\$ 77,198	\$ (61,923)	(80.2)%
Homes delivered	2,124	1,862	262	14.1%
Average sales price	\$ 475,364	\$ 513,269	\$ (37,905)	(7.4)%

Homebuilding Results by Segment

Northeast - Homebuilding revenue increased 13.3% for the three months ended July 31, 2025 compared to the same period in the prior year. The increase for the three months ended July 31, 2025 was attributed to a 18.6% increase in homes delivered, partially offset by a 4.7% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment for the three months ended July 31, 2025 compared to some communities delivering higher priced, larger single family homes and townhomes in higher-end submarkets of the segment for the three months ended July 31, 2024, which were no longer delivering in the second quarter of the current year.

Income before income taxes increased \$1.4 million to \$41.4 million for the three months ended July 31, 2025 as compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenue discussed above and a \$4.0 million increase in income from unconsolidated joint ventures, partially offset by a slight decrease in gross margin percentage.

Homebuilding revenue increased 28.5% for the nine months ended July 31, 2025 compared to the same period in the prior year. The increase for the nine months ended July 31, 2025 was attributed to a 28.8% increase in homes delivered, while the average sales price was relatively flat with a 0.2% decrease.

Income before income taxes increased \$5.0 million to \$112.7 million for the nine months ended July 31, 2025 as compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenues discussed above, while gross margin percentage was relatively flat.

Southeast - Homebuilding revenue decreased 9.7% for the three months ended July 31, 2025 compared to the same period in the prior year. The decrease for the three months ended July 31, 2025 was attributed to a 15.6% decrease in homes delivered, partially offset by a 6.9% increase in average sales price. The increase in average sales price was the result of new communities delivering higher priced, larger single family homes and townhomes in higher-end submarkets of the segment for the three months ended July 31, 2025 compared to some communities delivering lower priced, smaller single family homes, townhomes and build-for-rent homes in lower-end submarkets of the segment for the three months ended July 31, 2024, which were no longer delivering in the current year.

Income before income taxes decreased \$8.8 million to \$11.6 million for the three months ended July 31, 2025 compared to the same period in the prior year. This was primarily due to the decrease in homebuilding revenue discussed above and a significant decrease in gross margin percentage. For a discussion of gross margin see "Homebuilding: Cost of Sales" above.

Homebuilding revenue decreased 34.1% for the nine months ended July 31, 2025 compared to the same period in the prior year. The decrease was due to a 29.8% decrease in homes delivered and a 6.2% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes in lower-end submarkets of the segment for the nine months ended July 31, 2025 compared to some communities delivering higher priced, larger single family homes and townhomes in mid to higher-end submarkets of the segment for the nine months ended July 31, 2024, which were no longer delivering in the current year.

Income before income taxes decreased \$40.6 million to \$21.8 million for the nine months ended July 31, 2025 compared to the same period in the prior year. This was primarily due to the decrease in homebuilding revenue discussed above and a significant decrease in gross margin percentage. For a discussion of gross margin see "Homebuilding: Cost of Sales" above.

West - Homebuilding revenue increased 14.0% for the three months ended July 31, 2025 compared to the same period in the prior year. The increase was due to a 22.1% increase in homes delivered, partially offset by a 2.7% decrease in average sales price and a \$13.5 million decrease in land sales and other revenue. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes in lower-end submarkets of the segment for the three months ended July 31, 2025 compared to some communities delivering higher priced, larger single family homes in higher-end submarkets of the segment for the three months ended July 31, 2024, which were no longer delivering in the current year.

Income before income taxes decreased \$27.3 million to a loss of \$6.3 million for the three months ended July 31, 2025 compared to the same period in the prior year. This was primarily due to a \$2.3 million increase in SGA, an \$8.6 million increase in inventory impairments and land option write-offs and a significant decrease in gross margin percentage. For a discussion of gross margin see "Homebuilding: Cost of Sales" above.

Homebuilding revenue increased 6.1% for the nine months ended July 31, 2025 compared to the same period in the prior year. The increase was due to a \$4.9 million increase in land sales and other revenue and a 14.1% increase in homes delivered, partially offset by a 7.4% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes in lower-end submarkets of the segment for the nine months ended July 31, 2025 compared to some communities delivering higher priced, larger single family homes in higher-end submarkets of the segment for the nine months ended July 31, 2024, which were no longer delivering in the current year.

Income before income taxes decreased \$61.9 million to \$15.3 million for the nine months ended July 31, 2025 compared to the same period in the prior year. This is primarily due to a \$9.3 million increase in SGA, a \$9.5 million increase in inventory impairments and land option write-offs and a significant decrease in gross margin percentage. For a discussion of gross margin see “Homebuilding: Cost of Sales” above.

Financial Services

Financial services consists primarily of originating mortgages from our home buyers, selling such mortgages in the secondary market, and title insurance activities. We use mandatory investor commitments and forward sales of mortgage-backed securities (“MBS”) to hedge our mortgage-related interest rate exposure on agency and government loans. For the nine months ended July 31, 2025 and 2024, Federal Housing Administration and Veterans Administration (“FHA/VA”) loans represented 41.0% and 34.1%, respectively, of our total loans. For the nine months ended July 31, 2025 compared to the same period in the prior year, our conforming conventional loan originations as a percentage of our total loans decreased from 65.3% to 58.0%. The origination of loans which exceed conforming conventions increased from 0.6% to 1.0% for the nine months ended July 31, 2025 compared to the same period in the prior year.

During the three and nine months ended July 31, 2025 and 2024, financial services provided \$13.9 million and \$25.8 million of income before income taxes compared to \$6.5 million and \$15.5 million for the same periods in the prior year. The increase in financial services income before income taxes for the three and nine months ended July 31, 2025 compared to the same periods in the prior year was primarily due to an increase in the amount of loans closed during the period and an increase in the basis point spread between the loans originated and the implied rate from our sale of the loans. In the markets served by our wholly owned mortgage banking subsidiaries, 80.9% and 81.4% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the three months ended July 31, 2025 and 2024, respectively, and 79.9% and 79.7% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the nine months ended July 31, 2025 and 2024, respectively.

Corporate General and Administrative

Corporate general and administrative expenses include operations at our headquarters in New Jersey. These expenses include payroll, stock compensation, facility costs and rent and other costs associated with our executive offices, legal expenses, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, national and digital marketing, construction services and administration of insurance, quality and safety. Corporate general and administrative expenses decreased to \$35.0 million for the three months ended July 31, 2025 compared to \$38.5 million for the three months ended July 31, 2024 and decreased to \$97.2 million for the nine months ended July 31, 2025 compared to \$108.1 million for the nine months ended July 31, 2024. The decrease was primarily due to lower stock compensation expense compared to the same periods in the prior year. During the nine months of fiscal 2024, we had additional expense related to finalizing the value of phantom stock awards granted under our 2019 long-term incentive plan as a result of an increase to our stock price. In addition, for the nine months of fiscal 2025, we recorded a benefit related to our 2024 and 2023 long-term incentive plan phantom stock awards, as a result of a decrease in our stock price during the period.

Income from Unconsolidated Joint Ventures

Income from unconsolidated joint ventures consists of our share of the earnings or losses of our unconsolidated joint ventures. Income from unconsolidated joint ventures increased \$4.8 million to \$15.5 million for the three months ended July 31, 2025 and decreased \$3.1 million to \$33.8 million for the nine months ended July 31, 2025 compared to the same periods in the prior year. The increase for the three months ended July 31, 2025 compared to the same period of the prior year was primarily due to the recognition of additional income from two unconsolidated joint ventures; because the joint venture partner achieved certain return hurdles, the Company was able to recognize a higher share of the unconsolidated joint ventures' income than it had in the prior year. The decrease for the nine months ended July 31, 2025 compared to the same period of the prior year was primarily due to the recognition of losses from two unconsolidated joint ventures in which one just started delivering homes in the second quarter of fiscal 2025 and the other is not currently delivering any homes. In addition, we recognized income in the first nine months of the prior year from a joint venture that was subsequently consolidated in fiscal 2024.

Income Taxes

For the three and nine months ended July 31, 2025, we recorded income tax expense of \$7.2 million and \$25.7 million, respectively, and \$24.4 million and \$51.6 million for the same periods in the prior year, respectively. In both the current and prior year periods, the expense was primarily driven by federal and state tax expense on income before income taxes and permanent differences, partially offset by the generation of energy home credits. The federal tax expense is not paid in cash as it is offset by the use of our existing NOL carryforwards.

Capital Resources and Liquidity

Overview

Our total liquidity at July 31, 2025 was \$277.9 million, including \$146.6 million in homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility. We believe that our cash on hand together with available borrowings on our senior secured revolving credit facility will be sufficient for at least the next 12 months to finance our working capital requirements.

We have historically funded our homebuilding and financial services operations with cash flows from operating activities, borrowings under our credit facilities, the issuance of new debt and equity securities, and other financing activities. We may not be able to obtain desired financing even if market conditions, including then-current market available interest rates (in recent years, we have not been able to access the traditional capital and bank lending markets at competitive interest rates due to our highly leveraged capital structure), would otherwise be favorable, which could impact our ability to grow our business.

Operating, Investing and Financing Cash Flow Activities

We spent \$660.0 million on land and land development during the first three quarters of fiscal 2025. After land and land development spending and all other operating activities, including revenue received from deliveries, cash from operations was \$19.2 million. During the first three quarters of fiscal 2025, cash used in investing activities was \$60.6 million, primarily due to new joint ventures entered into during fiscal 2025, along with spending on capitalized software, partially offset by distributions of capital from existing unconsolidated joint ventures. Cash used in financing activities was \$30.5 million during the first three quarters of fiscal 2025, primarily due to the redemption of our 13.5% Senior Notes, along with net payments for our mortgage warehouse lines of credit, net payments for nonrecourse mortgage financings, treasury stock purchases and payments of preferred dividends, partially offset by net proceeds for land banking financings and model sale leaseback financings. We intend to continue to use nonrecourse mortgages, model sale leasebacks, joint ventures, and, subject to covenant restrictions in our debt instruments, land banking programs as our business needs dictate.

Our cash uses during the nine months ended July 31, 2025 and 2024 were for operating expenses, land purchases, land deposits, land development, construction spending, investments in unconsolidated joint ventures, land banking transactions, state income taxes, debt reductions, interest payments, preferred dividends, treasury stock purchases and litigation matters. During these periods, we provided for our cash requirements from available cash on hand, housing and land sales, nonrecourse mortgage transactions, income from unconsolidated joint ventures, financial service revenues and other revenues.

Our net income historically does not approximate cash flow from operating activities. The difference between net income and cash flow from operating activities is primarily caused by changes in inventory levels together with changes in receivables, prepaid expenses and other assets, mortgage loans held for sale, accrued interest, deferred income taxes, accounts payable and other liabilities, and noncash charges relating to depreciation, stock compensation and impairments. When we are expanding our operations, inventory levels, prepaid expenses and other assets increase causing cash flow from operating activities to decrease. Certain liabilities also increase as operations expand and partially offset the negative effect on cash flow from operations caused by the increase in inventory, prepaid expenses and other assets. Similarly, as our mortgage operations expand, net income from these operations increases, but for cash flow purposes, net income is partially offset by the net change in mortgage assets and liabilities. The opposite is true as our investment in new land purchases and development of new communities decrease, causing us to generate positive cash flow from operations.

Debt Transactions

Senior notes and credit facilities balances as of July 31, 2025 and October 31, 2024, were as follows:

(In thousands)	July 31, 2025	October 31, 2024
Senior Secured Notes	\$ 655,000	\$ 655,000
Senior Notes	24,968	51,556
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	175,000	175,000
Senior Secured Revolving Credit Facility (1)	-	-
Less: Net (discounts), premiums and unamortized debt issuance costs	6,954	14,662
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 861,922	\$ 896,218

(1) At July 31, 2025, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at July 31, 2025 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the "Debt Instruments") outstanding at July 31, 2025 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchange or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the "Secured Term Loans") made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028, and loans (the "Secured Revolving Loans") made under the Senior Secured Revolving Credit Agreement due June 30, 2026, or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of July 31, 2025, we believe we were in compliance with the covenants of the Debt Instruments.

Under the terms of our Debt Instruments, we have the right to make certain redemptions and prepayments and, depending on market conditions, our strategic priorities and covenant restrictions, may do so from time to time. We also continue to actively analyze and evaluate our capital structure and explore transactions to simplify our capital structure and to strengthen our balance sheet, including those that reduce leverage, interest rates and/or extend maturities, and will seek to do so in the near term with the right opportunity. We may also continue to make debt or equity purchases and/or exchanges from time to time through tender offers, exchange offers, redemptions, open market purchases, private transactions, or otherwise, or seek to raise additional debt or equity capital, depending on market conditions and covenant restrictions.

Any liquidity-enhancing or other capital raising or refinancing transaction will depend on identifying counterparties, negotiation of documentation and applicable closing conditions and any required approvals. Due to covenant restrictions in our Debt Instruments, we are currently limited in the amount of debt we can incur, even if market conditions, including then-current market available interest rates (in recent years, we have not been able to access the traditional capital and bank lending markets at competitive interest rates due to our highly leveraged capital structure), would otherwise be favorable, which could also impact our ability to grow our business.

See Note 12 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a further discussion of K. Hovnanian's Credit Facilities, senior secured notes and senior notes, including information with respect to the collateral securing our secured Debt Instruments.

Mortgages and Notes Payable

We had nonrecourse mortgage loans for certain communities totaling \$53.5 million and \$90.7 million, net of debt issuance costs, at July 31, 2025 and October 31, 2024, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$123.8 million and \$249.7 million, respectively. The weighted-average interest rate on these obligations was 8.1% and 8.7% at July 31, 2025 and October 31, 2024, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

Our wholly owned mortgage banking subsidiary, K. Hovnanian Mortgage, originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are sold in the secondary mortgage market within a short period of time. K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in "Financial services" liabilities on the Condensed Consolidated Balance Sheets. The loans are secured by the mortgages held for sale and are repaid when we sell the underlying mortgage loans to permanent investors. As of July 31, 2025 and October 31, 2024, we had an aggregate of \$110.0 million and \$131.4 million, respectively, outstanding under several of K. Hovnanian Mortgage's short-term borrowing facilities.

See Note 11 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a further discussion of these agreements.

Equity

On December 18, 2024, our Board of Directors (the "Board") authorized an incremental increase to our repurchase program and on April 11, 2025, the Board authorized another increase to our repurchase program, such that, inclusive of any amounts remaining under the existing repurchase authorization, as of April 11, 2025, we were authorized to repurchase up to \$30.6 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date.

During the nine months ended July 31, 2025, we repurchased 257,908 shares under the stock repurchase program, with a market value of \$30.1 million, or \$116.70 per share. During the nine months ended July 31, 2024, we repurchased 188,800 shares under the stock repurchase program, with a market value of \$26.5 million, or \$140.31 per share. As of July 31, 2025, \$26.4 million of our Class A common stock was available to be purchased under the stock repurchase program.

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. We paid dividends of \$2.7 million and \$8.0 million on the Series A preferred stock for the three and nine months ended July 31, 2025 and 2024, respectively.

Unconsolidated Joint Ventures

We have investments in unconsolidated joint ventures in various markets where our homebuilding operations are located. Investments in and advances to unconsolidated joint ventures increased \$75.4 million to \$218.4 million at July 31, 2025 compared to October 31, 2024. The increase was primarily due to new joint ventures entered into during the first and third quarters of fiscal 2025, along with increases in our share of income recognized for two of our existing unconsolidated joint ventures during the period, partially offset by an increase in our share of loss recognized for one of our existing unconsolidated joint ventures, and partner distributions. As of July 31, 2025 and October 31, 2024, we had investments in eight and six unconsolidated homebuilding joint ventures, respectively. We have no guarantees associated with our unconsolidated joint ventures, other than guarantees limited to performance and completion of development activities, environmental indemnification and standard warranty and representation against fraud, misrepresentation and similar actions, including a voluntary bankruptcy.

Inventories

Total inventory, excluding consolidated inventory not owned, decreased \$70.6 million to \$1.4 billion at July 31, 2025 compared to October 31, 2024. Total inventory, excluding consolidated inventory not owned, decreased by \$67.1 million in the Northeast and \$73.4 million in the West, partially offset by an increase of \$69.9 million in the Southeast. The net decrease was primarily attributable to home deliveries, inventory impairments and land option write-offs, land sales, and inventory contributed to new unconsolidated joint ventures during the period, partially offset by new land purchases and land development. Substantially all homes under construction or completed and included in inventory at July 31, 2025 are expected to be delivered during the next six to nine months.

Consolidated inventory not owned, which consists of options related to land banking and model financing, increased \$118.7 million from October 31, 2024 to July 31, 2025. The increase was primarily due to increases in land banking transactions, along with an increase in the sale and leaseback of certain model homes during the period. We have land banking arrangements, whereby we sell land parcels to land bankers and they provide us with an option to purchase finished lots on a predetermined schedule. Because of our options to repurchase these parcels, these transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheet, at July 31, 2025, included inventory of \$263.8 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$167.9 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions. In addition, we sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement and the ability to repurchase model homes with below market options, these sale and leaseback transactions are considered a financing rather than a sale. Therefore, our Condensed Consolidated Balance Sheet, at July 31, 2025, included inventory of \$65.9 million recorded to "Consolidated inventory not owned," with a corresponding amount of \$68.7 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

The following tables summarize home sites included in our total residential real estate. The decrease in total home sites available at July 31, 2025 compared to October 31, 2024 is attributable to delivering homes and terminating certain option agreements, partially offset by acquiring new land parcels during the period.

	Active Selling Communities(1)	Active Selling Communities Homes	Proposed Developable Homes	Total Homes
July 31, 2025:				
Northeast	37	4,811	15,200	20,011
Southeast	21	2,108	4,970	7,078
West	66	6,614	6,556	13,170
Consolidated total	124	13,533	26,726	40,259
Unconsolidated joint ventures (2)				
Owned		4,063	1,382	5,445
Optioned		9,457	25,344	34,801
Construction to permanent financing lots		13	-	13
Consolidated total		13,533	26,726	40,259
October 31, 2024:				
Northeast	49	4,804	14,776	19,580
Southeast	16	1,537	5,624	7,161
West	65	6,005	9,149	15,154
Consolidated total	130	12,346	29,549	41,895
Unconsolidated joint ventures (2)				
Owned		5,311	1,321	6,632
Optioned		7,031	28,228	35,259
Construction to permanent financing lots		4	-	4
Consolidated total		12,346	29,549	41,895

(1) Active selling communities are open for sale communities with ten or more home sites available. We identify communities based on product type. Therefore, at times there are multiple communities at one land site.

(2) Represents active selling communities and home sites for our unconsolidated homebuilding joint ventures for the period. We provide this data as a supplement to our consolidated results as an indicator of the volume managed in our unconsolidated joint ventures. See Note 18 to the Condensed Consolidated Financial Statements for a further discussion of our unconsolidated joint ventures.

The following table summarizes our started or completed unsold homes and models, excluding unconsolidated joint ventures, in active selling communities and substantially completed communities. The decrease in started or completed unsold homes from October 31, 2024 to July 31, 2025 is due to a concerted effort to align our starts pace with the sales pace during the third quarter of fiscal 2025.

	July 31, 2025			October 31, 2024		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	222	26	248	259	35	294
Southeast	145	14	159	135	19	154
West	649	19	668	627	31	658
Total	1,016	59	1,075	1,021	85	1,106
Started or completed unsold homes and models per active selling communities (1)	8.2	0.5	8.7	7.9	0.6	8.5

(1) Active selling communities (which are communities that are open for sale with ten or more home sites available) were 124 at July 31, 2025 and 130 at October 31, 2024. This ratio does not include substantially completed communities, which are communities with less than ten home sites available.

Financial Services Assets and Liabilities

Financial services assets decreased \$29.8 million to \$173.8 million at July 31, 2025, compared to October 31, 2024. Financial services assets consist primarily of residential mortgage receivables held for sale of which \$129.4 million and \$147.2 million at July 31, 2025 and October 31, 2024, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. The decrease in mortgage loans held for sale from October 31, 2024 was primarily related to a decrease in the volume of loans originated during the third quarter of fiscal 2025 compared to the fourth quarter of fiscal 2024, partially offset by an increase in the average loan value.

Financial services liabilities decreased \$30.8 million to \$152.4 million at July 31, 2025 compared to October 31, 2024. The decrease was primarily due to a decrease in amounts outstanding under our mortgage warehouse lines of credit and directly correlates to the decrease in the volume of mortgage loans held for sale during the period.

Inflation

The annual rate of inflation in the United States was 2.7% in July 2025, as measured by the Consumer Price Index, which is slightly higher than October 2024, but much improved from its peak of 9.1% in June 2022. Inflation has a long-term effect, because higher costs for land, materials and labor results in increasing sales prices of our homes. Historically, these price increases have been commensurate with the general rate of inflation in our housing markets and have not had a significant adverse effect on the sale of our homes. A significant risk faced by the housing industry generally is that rising house construction costs, including land and interest costs, could substantially outpace increases in the income of potential purchasers and therefore limit our ability to raise home sale prices, which may result in lower gross margins.

Inflation has a lesser short-term effect, because we generally negotiate fixed-price contracts with many, but not all, of our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between three to 12 months. Construction costs for residential buildings represented approximately 50.3% of our homebuilding cost of sales for the nine months ended July 31, 2025.

Critical Accounting Policies

As disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2024, our most critical accounting policies relate to inventories, unconsolidated joint ventures, warranty and construction defect reserves and income taxes. Since October 31, 2024, there have been no significant changes to those critical accounting policies.

Safe Harbor Statement

All statements in this Quarterly Report on Form 10-Q that are not historical facts should be considered as “Forward-Looking Statements” within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements include but are not limited to statements related to the Company’s goals and expectations with respect to its financial results for future financial periods. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to:

- Changes in general and local economic, industry and business conditions and impacts of a significant homebuilding downturn;
- Shortages in, and price fluctuations of, raw materials and labor, including due to geopolitical events, changes in trade policies, including the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with, and retaliatory measures taken by other countries, and because of changes in immigration laws and trends in labor migration;
- Fluctuations in interest rates and the availability of mortgage financing, including as a result of instability in the banking sector;
- Increases in inflation;
- Adverse weather and other environmental conditions and natural disasters;
- The seasonality of the Company's business;
- The availability and cost of suitable land and improved lots and sufficient liquidity to invest in such land and lots;
- Reliance on, and the performance of, subcontractors;
- Regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes;
- Increases in cancellations of agreements of sale;
- Changes in tax laws affecting the after-tax costs of owning a home;
- Legal claims brought against us and not resolved in our favor, such as product liability litigation, warranty claims and claims made by mortgage investors;
- Levels of competition;
- Utility shortages and outages or rate fluctuations;
- Information technology failures and data security breaches;
- Negative publicity;
- Global economic and political instability;
- High leverage and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness;
- Availability and terms of financing to the Company;
- The Company's sources of liquidity;
- Changes in credit ratings;
- Government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment;
- Potential liability as a result of the past or present use of hazardous materials;
- Operations through unconsolidated joint ventures with third parties;
- Significant influence of the Company's controlling stockholders;
- Availability of net operating loss carryforwards; and
- Loss of key management personnel or failure to attract qualified personnel.

Certain risks, uncertainties and other factors are described in detail in Part I, Item 1 "Business" and Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2024. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report on Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of our long-term debt requires fixed interest payments and we have limited exposure to variable rates. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse lines of credit under our Master Repurchase Agreements are subject to interest rate risk; however, such obligations reprice frequently and are short-term in duration. In addition, we are able to hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the interest rate risk from mortgage loans is not significant. We do not use financial instruments to hedge interest rate risk except with respect to mortgage loans. The following table sets forth as of July 31, 2025, our long-term debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair value ("FV").

Long-Term Debt as of July 31, 2025 by Fiscal Year of Maturity Date

(Dollars in thousands)	2025	2026	2027	2028	2029	Thereafter	Total	FV at 7/31/2025
Long term debt(1):								
Fixed rate	\$ -	\$ -	\$ -	\$ 400,000	\$ 430,000	\$ 24,968	\$ 854,968	\$ 892,298
Weighted average interest rate	-%	-%	-%	8.88%	11.75%	5.00%	10.21%	

(1) Does not include:

- the mortgage warehouse lines of credit made under our Master Repurchase Agreements;
- \$53.5 million of nonrecourse mortgages secured by inventory, which have various maturities spread over the next two to three years and are paid off as homes are delivered; and
- our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of July 31, 2025.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 31, 2025. Based upon that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures are effective to accomplish their objectives.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended July 31, 2025, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For information with respect to our legal proceedings, see Note 7 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

On December 18, 2024, the Board authorized an incremental increase to our repurchase program and on April 11, 2025, the Board authorized another increase to our repurchase program, such that, inclusive of any amounts remaining under the existing repurchase authorization, as of April 11, 2025, we were authorized to repurchase up to \$30.6 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. As of July 31, 2025, \$26.4 million of our Class A common stock was available to be purchased under the stock repurchase program.

There were no repurchases of common stock for the third quarter of fiscal 2025.

Item 5. OTHER INFORMATION

During the three months ended July 31, 2025, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. EXHIBITS

- 3(a) [Restated Certificate of Incorporation of the Registrant \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 3(b) [Second Amended and Restated Bylaws of the Registrant \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 28, 2023\).](#)
- 4(a) [Specimen Class A Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 4(b) [Specimen Class B Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 4(c) [Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on July 13, 2005\).](#)
- 4(d) [Certificate of Designations of the Series B Junior Preferred Stock of Hovnanian Enterprises, Inc., dated August 14, 2008 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2008\).](#)
- 4(e) [Rights Agreement, dated as of August 14, 2008, between Hovnanian Enterprises, Inc. and National City Bank, as Rights Agent, which includes the Form of Certificate of Designation as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C \(Incorporated by reference to Exhibits to the Registration Statement on Form 8-A of the Registrant filed on August 14, 2008\).](#)
- 4(f) [Amendment No. 1 to Rights Agreement, dated as of January 11, 2018, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on January 11, 2018\).](#)
- 4(g) [Amendment No. 2 to Rights Agreement, dated as of January 18, 2021, between the Company and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 19, 2021\).](#)
- 4(h) [Amendment No. 3 to Rights Agreement, dated as of January 11, 2024, between the Company and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 11, 2024\).](#)
- 10(a)* [Form of 2025 Associate Performance Share Unit Agreement EBIT Class A.](#)
- 10(b)* [Form of 2025 Associate Performance Share Unit Agreement EBIT Class B.](#)
- 10(c)* [Form of 2025 Associate Phantom Performance Share Unit Agreement EBIT.](#)
- 10(d)* [Form of 2025 Associate Performance Share Unit Agreement EBIT ROI Class A.](#)
- 10(e)* [Form of 2025 Associate Performance Share Unit Agreement EBIT ROI Class B.](#)
- 10(f)* [Form of 2025 Associate Phantom Performance Share Unit Agreement EBIT ROI.](#)

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- 31(a) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31(b) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 32(a) [Section 1350 Certification of Chief Executive Officer.](#)
- 32(b) [Section 1350 Certification of Chief Financial Officer.](#)
- 101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended July 31, 2025, formatted in inline Extensible Business Reporting Language (Inline XBRL): (i) the Condensed Consolidated Balance Sheets at July 31, 2025 and October 31, 2024, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended July 31, 2025 and 2024, (iii) the Condensed Consolidated Statements of Changes in Equity for the three and nine months ended July 31, 2025 and 2024, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2025 and 2024, and (v) the Notes to Condensed Consolidated Financial Statements.
- 104 Cover Page from our Quarterly Report on Form 10-Q for the three months ended July 31, 2025, formatted in Inline XBRL (and contained in Exhibit 101).

**Management contracts or compensation plans or arrangements.*

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: August 29, 2025

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)

DATE: August 29, 2025

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**2020 HOVNIANIAN ENTERPRISES, INC.
THIRD AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT
(EBIT Performance Vesting)**

<i>Participant:</i>	<i>Date of Grant:</i>
<i>Target Number of PSUs:</i>	
<i>Date of Vesting of Earned PSUs:</i>	<i>Percentage of Earned PSUs</i>
<u>Date</u>	<u>Percentage of Earned PSUs</u>
[Date]	100%

1. Grant of PSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of performance share units ("PSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. The actual number of PSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Sections 2(b) and 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable "Delivery Date" (as defined below), a number of Class A Shares equal to the number of Earned PSUs that became vested on the corresponding Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Delivery Date" with respect to each Vesting Date shall mean the date that is the earlier of (i) the second anniversary of such Vesting Date or (ii) the second anniversary of the date of the Participant's Qualified Termination (as defined below), if applicable.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PSUs in accordance with Exhibit A hereto, the PSUs granted hereunder shall remain outstanding and eligible to become Earned PSUs in accordance with such Exhibit A and (C) the Shares underlying all of the Participant's Earned PSUs, if any, shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s) subject to Section 16 of this Agreement. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PSUs (including, without limitation, any Earned PSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PSUs granted pursuant to this Agreement which do not become Earned PSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PSUs equal to: (a) the product of (x) the number of PSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PSUs granted to the Participant shall be increased by a number equal to the product of (a) the PSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

9. Transferability. PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. **Specific Performance.** The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. **Choice of Law.** THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. **RSUs Subject to Plan.** By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All PSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. **409A.** Notwithstanding any other provisions of this Agreement or the Plan, the PSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

**2020 HOVNANIAN ENTERPRISES, INC.
THIRD AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT
(EBIT Performance Vesting)**

<i>Participant:</i>	<i>Date of Grant:</i>
<i>Target Number of PSUs:</i>	
 <i>Date of Vesting of Earned PSUs:</i>	
<u><i>Date</i></u>	<u><i>Percentage of Earned PSUs</i></u>
[Date]	100%

1. Grant of PSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of performance share units ("PSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. The actual number of PSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Sections 2(b) and 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable "Delivery Date" (as defined below), a number of Class B Shares equal to the number of Earned PSUs that became vested on the corresponding Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Delivery Date" with respect to each Vesting Date shall mean the date that is the earlier of (i) the second anniversary of such Vesting Date or (ii) the second anniversary of the date of the Participant's Qualified Termination (as defined below), if applicable.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PSUs in accordance with Exhibit A hereto, the PSUs granted hereunder shall remain outstanding and eligible to become Earned PSUs in accordance with such Exhibit A and (C) the Shares underlying all of the Participant's Earned PSUs, if any, shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s) subject to Section 16 of this Agreement. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PSUs (including, without limitation, any Earned PSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PSUs granted pursuant to this Agreement which do not become Earned PSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PSUs equal to: (a) the product of (x) the number of PSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PSUs granted to the Participant shall be increased by a number equal to the product of (a) the PSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

9. Transferability. PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. **Specific Performance.** The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. **Choice of Law.** THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. **RSUs Subject to Plan.** By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All PSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. **409A.** Notwithstanding any other provisions of this Agreement or the Plan, the PSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

HOVNIANIAN ENTERPRISES, INC.
PHANTOM PERFORMANCE SHARE UNIT AGREEMENT
(EBIT Performance Vesting)

Participant:

Date of Grant:

Target Number of PPSUs:

Date of Vesting of Earned PPSUs:

Date

Percentage of Earned PPSUs

[Date]

100%

1. Grant of PPSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of phantom performance share units ("PPSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. The PPSUs granted hereunder is made as a standalone award, separate and apart from, and outside of, the 2020 Company Third Amended and Restated Stock Incentive Plan, as amended (the "Plan"), and shall not constitute an Award granted under or pursuant to that Plan. Notwithstanding the foregoing, the terms, conditions, and definitions set forth in the Plan shall apply to the PPSUs as though the PPSUs had been granted under the Plan (including but not limited to the adjustment provision contained in the Plan), and the PPSUs shall be subject to such terms, conditions and definitions which are hereby incorporated herein by reference and made a part hereof. Notwithstanding the foregoing, the PPSUs shall not be counted for purposes of calculating the aggregate number of shares that may be issued or transferred pursuant to Awards under the Plan or for purposes of calculating the Award limitations under the Plan (including pursuant to Section 3 of the Plan). The actual number of PPSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PPSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PPSU represents the unfunded, unsecured right of the Participant to receive a cash payment equal to the Fair Market Value of a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PPSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PPSUs shall immediately become fully vested (subject to any delay in payment required pursuant to Sections 2(b) and 15 hereof).

(b) The Company shall pay to the Participant, as soon as practicable but not later than 60 days after an applicable "Payment Date" (as defined below), a cash amount equal to the Fair Market Value (calculated as of such Payment Date) of a number of Class A Shares equal to the number of Earned PPSUs that became vested on the corresponding Vesting Date. If the Participant is eligible to participate in, and has elected to defer the payment in respect of Earned PPSUs pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such payment shall be so deferred, and any such deferral, when paid, shall be paid in cash. Once the value of the Earned PPSUs is deferred, the rights and privileges of the Participant with respect to such PPSUs shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Payment Date" shall mean the earlier of (i) the Vesting Date or (ii) the date of the Participant's Qualified Termination, as defined below, if applicable (or, if later, the last day of the Performance Period as set forth in Exhibit A).

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PPSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PPSUs in accordance with Exhibit A hereto, the PPSUs granted hereunder shall remain outstanding and eligible to become Earned PPSUs in accordance with such Exhibit A and (C) the cash payment in respect of the Shares underlying all of the Participant's Earned PPSUs, if any, shall be paid to the Participant as soon as practicable but not later than 60 days after the corresponding Payment Date(s) subject to Section 15 of this Agreement. In the event of the death of the Participant, the payment in respect of Earned PPSUs under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the payment under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each payment in settlement of Earned PPSUs in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PPSUs having a Fair Market Value equal to the amount paid to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PPSUs (including, without limitation, any Earned PPSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PPSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in cash. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 10 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PPSUs granted pursuant to this Agreement which do not become Earned PPSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PPSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PPSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PPSUs equal to: (a) the product of (x) the number of PPSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PPSUs granted to the Participant shall be increased by a number equal to the product of (a) the PPSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PPSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PPSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. The Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to receive PPSUs is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's PPSUs are not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company in respect of the PPSUs granted hereunder.

8. Transferability. PPSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 8 shall be void and unenforceable against the Company or any Affiliate.

9. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

10. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 10 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

11. **Specific Performance.** The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 10 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

12. **Choice of Law.** THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

13. **Plan Terms.** By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan.

14. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. **409A.** Notwithstanding any other provisions of this Agreement or the Plan, the PPSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, any payments under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A
[Insert Performance Metrics for Determining Earned PPSUs]

**2020 HOVNANIAN ENTERPRISES, INC.
THIRD AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT
(EBIT ROI Performance Vesting)**

<i>Participant:</i>	<i>Date of Grant:</i>
<i>Target Number of PSUs:</i> _____	
 <i>Date of Vesting of Earned PSUs:</i>	
<u><i>Date</i></u>	<u><i>Percentage of Earned PSUs</i></u>
_____ [Date] _____	_____ 100% _____

1. Grant of PSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of performance share units ("PSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. The actual number of PSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Sections 2(b) and 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable "Delivery Date" (as defined below), a number of Class A Shares equal to the number of Earned PSUs that became vested on the corresponding Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Delivery Date" with respect to each Vesting Date shall mean the date that is the earlier of (i) the second anniversary of such Vesting Date or (ii) the second anniversary of the date of the Participant's Qualified Termination (as defined below), if applicable.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PSUs in accordance with Exhibit A hereto, the PSUs granted hereunder shall remain outstanding and eligible to become Earned PSUs in accordance with such Exhibit A and (C) the Shares underlying all of the Participant's Earned PSUs, if any, shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s) subject to Section 16 of this Agreement. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PSUs (including, without limitation, any Earned PSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PSUs granted pursuant to this Agreement which do not become Earned PSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PSUs equal to: (a) the product of (x) the number of PSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PSUs granted to the Participant shall be increased by a number equal to the product of (a) the PSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

9. Transferability. PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

11. Non-Solicitation Covenants.

(a) **The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:**

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. **Specific Performance.** The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. **Choice of Law.** THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. **RSUs Subject to Plan.** By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All PSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. **409A.** Notwithstanding any other provisions of this Agreement or the Plan, the PSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

**2020 HOVNANIAN ENTERPRISES, INC.
THIRD AMENDED AND RESTATED STOCK INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT AGREEMENT
(EBIT ROI Performance Vesting)**

Participant: _____ *Date of Grant:* _____

Target Number of PSUs: _____

Date of Vesting of Earned PSUs:

<u>Date</u>	<u>Percentage of Earned PSUs</u>
[Date]	100%

1. Grant of PSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of performance share units ("PSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. The actual number of PSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Sections 2(b) and 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable "Delivery Date" (as defined below), a number of Class B Shares equal to the number of Earned PSUs that became vested on the corresponding Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Delivery Date" with respect to each Vesting Date shall mean the date that is the earlier of (i) the second anniversary of such Vesting Date or (ii) the second anniversary of the date of the Participant's Qualified Termination (as defined below), if applicable.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PSUs in accordance with Exhibit A hereto, the PSUs granted hereunder shall remain outstanding and eligible to become Earned PSUs in accordance with such Exhibit A and (C) the Shares underlying all of the Participant's Earned PSUs, if any, shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s) subject to Section 16 of this Agreement. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PSUs (including, without limitation, any Earned PSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PSUs granted pursuant to this Agreement which do not become Earned PSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PSUs equal to: (a) the product of (x) the number of PSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PSUs granted to the Participant shall be increased by a number equal to the product of (a) the PSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing Shares, the Company may elect to issue or deliver such Shares in book entry form in lieu of certificates.

9. Transferability. PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. RSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All PSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, the PSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

HOVNIANIAN ENTERPRISES, INC.

**PHANTOM PERFORMANCE SHARE UNIT AGREEMENT
(EBIT ROI Performance Vesting)**

Participant: _____ *Date of Grant:* _____

*Target Number of
PPSUs:* _____

*Date of Vesting of Earned
PPSUs:* _____

Date _____ *Percentage of Earned PPSUs* _____

[Date]

100%

1. Grant of PPSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number ("Target Number") of phantom performance share units ("PPSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. The PPSUs granted hereunder is made as a standalone award, separate and apart from, and outside of, the 2020 Company Third Amended and Restated Stock Incentive Plan, as amended (the "Plan"), and shall not constitute an Award granted under or pursuant to that Plan. Notwithstanding the foregoing, the terms, conditions, and definitions set forth in the Plan shall apply to the PPSUs as though the PPSUs had been granted under the Plan (including but not limited to the adjustment provision contained in the Plan), and the PPSUs shall be subject to such terms, conditions and definitions which are hereby incorporated herein by reference and made a part hereof. Notwithstanding the foregoing, the PPSUs shall not be counted for purposes of calculating the aggregate number of shares that may be issued or transferred pursuant to Awards under the Plan or for purposes of calculating the Award limitations under the Plan (including pursuant to Section 3 of the Plan). The actual number of PPSUs, if any, that the Participant will be eligible to earn with respect to this Agreement (the "Earned PPSUs"), subject to meeting the applicable service and performance vesting requirements, will equal the Target Number multiplied by the applicable "Performance Multiplier" as defined in Exhibit A hereto. Each Earned PPSU represents the unfunded, unsecured right of the Participant to receive a cash payment equal to the Fair Market Value of a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the Earned PPSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date"); provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Earned PPSUs shall immediately become fully vested (subject to any delay in payment required pursuant to Sections 2(b) and 15 hereof).

(b) The Company shall pay to the Participant, as soon as practicable but not later than 60 days after an applicable "Payment Date" (as defined below), a cash amount equal to the Fair Market Value (calculated as of such Payment Date) of a number of Class A Shares equal to the number of Earned PPSUs that became vested on the corresponding Vesting Date. If the Participant is eligible to participate in, and has elected to defer the payment in respect of Earned PPSUs pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such payment shall be so deferred, and any such deferral, when paid, shall be paid in cash. Once the value of the Earned PPSUs is deferred, the rights and privileges of the Participant with respect to such PPSUs shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Payment Date" shall mean the earlier of (i) the Vesting Date or (ii) the date of the Participant's Qualified Termination, as defined below, if applicable (or, if later, the last day of the Performance Period as set forth in Exhibit A).

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, (any such termination, a "Qualified Termination"), then (A) any previously unvested Earned PPSUs shall become fully vested, (B) if such Qualified Termination occurs prior to the determination of the number of Earned PPSUs in accordance with Exhibit A hereto, the PPSUs granted hereunder shall remaining outstanding and eligible to become Earned PPSUs in accordance with such Exhibit A and (C) the cash payment in respect of the Shares underlying all of the Participant's Earned PPSUs, if any, shall be paid to the Participant as soon as practicable but not later than 60 days after the corresponding Payment Date(s) subject to Section 15 of this Agreement. In the event of the death of the Participant, the payment in respect of Earned PPSUs under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the payment under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each payment in settlement of Earned PPSUs in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of Earned PPSUs having a Fair Market Value equal to the amount paid to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested PPSUs (including, without limitation, any Earned PPSUs) shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's Qualifying Termination or involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason", in each case, within two years following a Change in Control, the Earned PPSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in cash. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 10 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(g) Any portion of the PPSUs granted pursuant to this Agreement which do not become Earned PPSUs in accordance with Exhibit A hereto shall be forfeited for no further consideration.

3. Dividends. If on any date while PPSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of PPSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of PPSUs equal to: (a) the product of (x) the number of PPSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of PPSUs granted to the Participant shall be increased by a number equal to the product of (a) the PPSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any PPSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2 and the performance conditions set forth in Exhibit A.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of PPSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. The Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to receive PPSUs is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's PPSUs are not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company in respect of the PPSUs granted hereunder.

8. Transferability. PPSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 8 shall be void and unenforceable against the Company or any Affiliate.

9. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

10. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 10 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

11. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 10 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

12. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

13. Plan Terms. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan.

14. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. 409A. Notwithstanding any other provisions of this Agreement or the Plan, the PPSUs covered by this Agreement shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, any payments under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

1. To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

Exhibit A

[Insert Performance Metrics for Determining Earned PPSUs]

CERTIFICATIONS
Exhibit 31(a)

I, Ara K. Hovnanian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2025 of Hovnanian Enterprises, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 29, 2025

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

CERTIFICATIONS
Exhibit 31(b)

I, Brad O'Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2025 of Hovnanian Enterprises, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 29, 2025

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 29, 2025

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian
Chairman, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad O'Connor, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 29, 2025

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer