

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

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

For quarterly period ended JULY 31, 1999 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 22-1851059  
(State or other jurisdiction or (I.R.S. Employer  
incorporation or organization) Identification No.)

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

732-747-7800  
(Registrant's telephone number, including area code)

Same  
(Former name, former address and former fiscal year, if changed  
since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 14,268,780 Class A Common Shares and 7,654,994 Class B Common Shares were outstanding as of September 3, 1999.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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Signatures

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

ASSETS	July 31, 1999	October 31, 1998
	-----	-----
Homebuilding:		
Cash and cash equivalents.....	\$ 13,326	\$ 13,306
	-----	-----
Inventories - At cost, not in excess of fair value:		
Sold and unsold homes and lots under development.....	354,260	332,225
Land and land options held for future development or sale.....	78,801	43,508
	-----	-----
Total Inventories.....	433,061	375,733
	-----	-----
Receivables, deposits, and notes.....	33,721	29,490
	-----	-----
Property, plant, and equipment - net.....	23,863	16,831
	-----	-----
Prepaid expenses and other assets.....	35,202	32,650
	-----	-----
Total Homebuilding.....	539,173	468,010
	-----	-----
Financial Services:		
Cash and cash equivalents.....	3,254	1,486
Mortgage loans held for sale.....	44,715	71,611
Other assets.....	2,114	3,717
	-----	-----
Total Financial Services.....	50,083	76,814
	-----	-----
Investment Properties:		
Held for sale:		
Land and improvements.....	107	17,832
Other assets.....	672	295
Held for investment:		
Cash.....		762
Rental property - net.....	10,747	10,794
Other assets.....	1,084	868
	-----	-----
Total Investment Properties.....	12,610	30,551
	-----	-----
Collateralized Mortgage Financing:		
Collateral for bonds payable.....	5,349	5,970
Other assets.....	140	426
	-----	-----
Total Collateralized Mortgage Financing.....	5,489	6,396
	-----	-----
Income Taxes Receivable - Including deferred tax benefits.....	4,739	7,331
	-----	-----
Total Assets.....	\$612,094	\$589,102
	=====	=====

See notes to consolidated financial statements.

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

July 31,      October 31,

LIABILITIES AND STOCKHOLDERS' EQUITY	1999	1998
	-----	-----
Homebuilding:		
Nonrecourse land mortgages.....	\$ 14,002	\$ 11,846
Accounts payable and other liabilities.....	49,216	53,765
Customers' deposits.....	22,585	23,857
Nonrecourse mortgages secured by operating properties.....	3,688	3,770
	-----	-----
Total Homebuilding.....	89,491	93,238
	-----	-----
Financial Services:		
Accounts payable and other liabilities.....	2,042	2,422
Mortgage warehouse line of credit.....	43,131	66,666
	-----	-----
Total Financial Services.....	45,173	69,088
	-----	-----
Investment Properties:		
Accounts payable and other liabilities.....	1,063	1,373
	-----	-----
Total Investment Properties.....	1,063	1,373
	-----	-----
Collateralized Mortgage Financing:		
Accounts payable and other liabilities.....	15	6
Bonds collateralized by mortgages receivable.....	3,972	5,652
	-----	-----
Total Collateralized Mortgage Financing.....	3,987	5,658
	-----	-----
Notes Payable:		
Revolving credit agreement.....		68,000
Senior Notes.....	150,000	
Subordinated notes.....	100,000	145,449
Accrued interest.....	5,063	4,904
	-----	-----
Total Notes Payable.....	255,063	218,353
	-----	-----
Total Liabilities.....	394,777	387,710
	-----	-----
Stockholders' Equity:		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value-authorized 87,000,000 shares; issued 15,848,256 shares (including 2,590,374 shares held in Treasury)...	158	157
Common Stock, Class B, \$.01 par value-authorized 13,000,000 shares; issued 8,005,212 shares (including 345,874 shares held in Treasury)....	79	80
Paid in Capital.....	34,619	34,561
Retained Earnings.....	204,372	183,182
Treasury Stock - at cost.....	(21,911)	(16,588)
	-----	-----
Total Stockholders' Equity.....	217,317	201,392
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$612,094	\$589,102
	=====	=====

See notes to consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	-----	-----	-----	-----
	1999	1998	1999	1998
	-----	-----	-----	-----
Revenues:				
Homebuilding:				
Sale of homes.....	\$227,071	\$237,900	\$621,094	\$645,524
Land sales and other revenues.....	3,552	1,954	11,447	8,293
	-----	-----	-----	-----
Total Homebuilding.....	230,623	239,854	632,541	653,817
Financial Services.....	5,616	5,562	15,428	13,264
Investment Properties.....	385	2,530	1,168	6,783
Collateralized Mortgage Financing....	47	179	322	541
	-----	-----	-----	-----
Total Revenues.....	236,671	248,125	649,459	674,405
	-----	-----	-----	-----

Expenses:				
Homebuilding:				
Cost of sales.....	179,957	196,024	494,581	536,630
Selling, general and administrative	20,690	17,530	56,810	49,045
Inventory impairment loss.....	1,232	1,550	1,633	3,498
	-----	-----	-----	-----
Total Homebuilding.....	201,879	215,104	553,024	589,173
	-----	-----	-----	-----
Financial Services.....	5,257	4,837	14,358	11,628
	-----	-----	-----	-----
Investment Properties.....	123	787	1,224	2,663
	-----	-----	-----	-----
Collateralized Mortgage Financing....	68	181	341	540
	-----	-----	-----	-----
Corporate General and Administrative.	8,016	5,543	20,869	14,683
	-----	-----	-----	-----
Interest.....	6,849	8,773	21,237	25,239
	-----	-----	-----	-----
Other Operations.....	409	510	1,689	1,461
	-----	-----	-----	-----
Total Expenses.....	222,601	235,735	612,742	645,387
	-----	-----	-----	-----
Income Before Income Taxes and Extraordinary Loss.....	14,070	12,390	36,717	29,018
	-----	-----	-----	-----
State and Federal Income Taxes:				
State.....	1,554	982	4,382	2,226
Federal.....	4,038	3,695	10,277	8,153
	-----	-----	-----	-----
Total Taxes.....	5,592	4,677	14,659	10,379
	-----	-----	-----	-----
Extraordinary Loss From Extinguishment Of Debt, Net of Income Taxes.....	(868)		(868)	
	-----	-----	-----	-----
Net Income.....	\$ 7,610	\$ 7,713	\$ 21,190	\$ 18,639
	=====	=====	=====	=====
Per Share Data:				
Basic:				
Income Per Common Share Before				
Extraordinary Loss.....	\$ 0.40	\$ 0.35	\$ 1.04	\$ 0.85
Extraordinary Loss.....	(.04)		(.04)	
	-----	-----	-----	-----
Net Income.....	\$ 0.36	\$ 0.35	\$ 1.00	\$ 0.85
	=====	=====	=====	=====
Weighted Average Number of Common				
Shares Outstanding.....	20,979	21,785	21,274	21,822
Assuming Dilution:				
Income Per Common Share Before				
Extraordinary Loss.....	\$ 0.40	\$ 0.35	\$ 1.03	\$ 0.84
Extraordinary Loss.....	(.04)		(.04)	
	-----	-----	-----	-----
Net Income.....	\$ 0.36	\$ 0.35	\$ 0.99	\$ 0.84
	=====	=====	=====	=====
Weighted Average Number of Common				
Shares Outstanding.....	21,206	22,107	21,491	22,103

See notes to consolidated financial statements.

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

	A Common Stock		B Common Stock		Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount				
Balance, October 31, 1998.	13,865,923	\$157	7,694,297	\$80	\$34,561	\$183,182	(\$16,588)	\$201,392
Sale of Common Stock under Employee Stock Option Plan.....	10,000				58			58
Conversion of Class B to Class A Common Stock....	34,959	1	(34,959)	(1)				
Treasury stock purchases..	(653,000)						(5,323)	(5,323)
Net Income.....						21,190		21,190

Balance, July 31, 1999....	13,257,882	\$158	7,659,338	\$79	\$34,619	\$204,372	\$(21,911)	\$217,317
	=====	=====	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Nine Months Ended July 31,	
	1999	1998
<b>Cash Flows From Operating Activities:</b>		
Net Income.....	\$ 21,190	\$ 18,639
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation.....	3,750	2,936
Loss (gain) on sale and retirement of property and assets.....	527	(2,678)
Extraordinary loss from extinguishment of debt, net of income taxes.....	868	
Deferred income taxes.....	2,472	1,623
Impairment losses.....	1,633	3,498
Decrease (increase) in assets:		
Receivables, prepaids and other assets.....	(7,712)	(4,536)
Mortgage notes receivable.....	28,496	(9,541)
Inventories.....	(59,998)	(9,403)
Increase (decrease) in liabilities:		
State and Federal income taxes.....	588	5,301
Customers' deposits.....	(1,076)	3,319
Interest and other accrued liabilities.....	(902)	(974)
Post development completion costs.....	(574)	1,840
Accounts payable.....	(3,791)	(490)
Net cash (used) in provided by operating activities.....	(14,529)	9,534
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of property and assets.....	18,850	22,134
Purchase of property.....	(10,453)	(2,128)
Investment in and advances to unconsolidated affiliates.....	85	473
Investment in income producing properties.....	(841)	(4,927)
Net cash provided by investing activities...	7,641	15,552
<b>Cash Flows From Financing Activities:</b>		
Proceeds from mortgages and notes.....	523,617	432,627
Proceeds from senior debt.....	150,000	
Principal payments on mortgages and notes.....	(614,758)	(453,891)
Principal payments on subordinated debt.....	(46,301)	
Investment in mortgage notes receivable.....	621	1,756
Purchase of treasury stock.....	(5,323)	(1,729)
Proceeds from sale of stock.....	58	626
Net cash provided by (used) in financing activities.....	7,914	(20,611)
Net Increase In Cash.....	1,026	4,475
Cash Balance, Beginning Of Period.....	15,554	11,313
Cash Balance, End Of Period.....	\$ 16,580	\$ 15,788

See notes to consolidated financial statements.

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

1. The consolidated financial statements, except for the October 31, 1998 consolidated balance sheets, have been prepared without audit. In the opinion of management, all adjustments for interim periods presented have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated financial position, results of operations, and changes in cash flows. The preparation of financial statements in conformity

with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements. Results for the interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Interest costs incurred, expensed and capitalized were:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1999	1998	1999	1998
	(Dollars in Thousands)			
Interest Incurred (1):				
Residential (3).....	\$ 6,110	\$ 6,789	16,794	\$ 20,087
Commercial (4).....	266	680	911	1,844
Total Incurred.....	\$ 6,376	\$ 7,469	17,705	\$ 21,931
Interest Expensed:				
Residential (3).....	\$ 6,583	\$ 8,093	20,326	\$ 23,395
Commercial (4).....	266	680	911	1,844
Total Expensed.....	\$ 6,849	\$ 8,773	21,237	\$ 25,239
Interest Capitalized at				
Beginning of Period.....	\$ 21,017	\$ 29,846	25,545	\$ 35,950
Plus Interest Incurred.....	6,376	7,469	17,705	21,931
Less Interest Expensed.....	6,849	8,773	21,237	25,239
Less Impairment Write Off...				460
Less Sale of Assets.....	(242)		1,227	3,640
Interest Capitalized at				
End of Period.....	\$ 20,786	\$ 28,542	20,786	\$ 28,542
Interest Capitalized at				
End of Period:				
Residential (3).....	\$ 20,336	\$ 26,036	\$ 20,336	\$ 26,036
Commercial (2).....	450	2,506	450	2,506
Total Capitalized.....	\$ 20,786	\$ 28,542	\$ 20,786	\$ 28,542

- (1) Does not include interest incurred by the Company's mortgage and finance subsidiaries.
- (2) Does not include a reduction for depreciation.
- (3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when homes are delivered and when land is not under active development.
- (4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.

3. Homebuilding accumulated depreciation at July 31, 1999 and October 31, 1998 amounted to \$18,235,000 and \$15,088,000, respectively. Rental property accumulated depreciation at July 31, 1999 and October 31, 1998 amounted to \$2,111,000 and \$1,826,000, respectively.

4. In accordance with FAS 121, the Company records impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. As of July 31, 1999 developed lots in a substantially completed community in New York with a carrying amount of \$2,895,000, including approval, engineering and capitalized interest, were written down \$1,232,000 to its fair value. The Company is contracted to sell substantially all of the lots in the fourth quarter ended October 31, 1999. During the three months ended April 30, 1999 the Company also recorded a \$401,000 impairment loss on land in Florida. As of July 31, 1998 inventory in New Jersey with a carrying amount of \$2,536,000 was written down \$1,550,000 to its fair value. In addition, the Company, from time to time, will write off certain residential land options including approval, engineering and capitalized interest costs for properties management decided not to purchase. The Company wrote off such costs on two properties in New Jersey amounting to \$1,589,000 and \$359,000 during the three months ended January 31, 1998 and April 30, 1998, respectively. Residential inventory FAS 121 impairment losses and option write offs are reported on the Consolidated Statements of Income as "Homebuilding-Inventory Impairment Loss."

5. The Company is involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company. As of July 31, 1999 and 1998, respectively, the Company is obligated under various performance letters of credit amounting to \$6,781,000 and \$10,727,000.

6. On May 4, 1999, the Company issued \$150,000,000 principal amount of 9 1/8% Senior Notes due May 1, 2009. Interest is payable semi-annually. The proceeds were used to reduce the outstanding balance on the Company's "Revolving Credit Facility" to zero, for general Corporate purposes, and on June 7, 1999, to redeem the remaining \$45,449,000 11 1/4% Subordinated Notes due 2002. The early retirement of these notes resulted in an extraordinary loss of \$868,000 net of income taxes of \$468,000.

7. Financial Information of Subsidiary Issuer and Subsidiary Guarantors. Hovnanian Enterprises, Inc., the parent company (the "Parent" or "Company") is the issuer of publicly traded common stock. One of its wholly owned subsidiaries, K. Hovnanian Enterprises, Inc., (the "Subsidiary Issuer") was the issuer of certain Senior Notes on May 4, 1999.

The Subsidiary Issuer acts as a finance and management entity that as of July 31, 1999 had issued and outstanding approximately \$100,000,000 of subordinated notes and a revolving credit agreement with an outstanding balance of zero. Both the subordinated notes and the revolving credit agreement are fully and unconditionally guaranteed by the Parent.

Each of the wholly owned subsidiaries of the Parent (collectively the "Guarantor Subsidiaries"), with the exception of four subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, a mortgage lending subsidiary, a subsidiary holding and licensing the "K. Hovnanian" trade name and a subsidiary engaged in homebuilding activity in Poland (collectively the "Non-guarantor Subsidiaries"), have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the revolving credit agreement of the Subsidiary Issuer.

Additionally the Parent has provided full, unconditional and joint and several guarantees to the Senior Notes which aggregate \$150,000,000 as of July 31, 1999. The Guarantor Subsidiaries may also provide similar guarantees to the Subsidiary Issuer.

In lieu of providing separate audited financial statements for the Guarantor Subsidiaries the Company has included the accompanying consolidated condensed financial statements based on our understanding of the Securities and Exchange Commission's interpretation and application of Rule 3-10 of the Securities and Exchange Commission's Regulations S-X and Staff Accounting Bulletin 53. Management does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors. Therefore, separate financial statement and other disclosures concerning the Guarantor Subsidiaries are not presented.

The following consolidating condensed financial information present the results of operations, financial position and cash flows of (i) the Parent (ii) the Subsidiary Issuer (iii) the Guarantor Subsidiaries of the Parent (iv) the Non-guarantor Subsidiaries of the Parent and (v) the eliminations to arrive at the information for Hovnanian Enterprises, Inc. on a consolidated basis.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
 CONSOLIDATING CONDENSED BALANCE SHEET  
 JULY 31, 1999  
 (Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
<b>Homebuilding:</b>						
Cash and cash equivalents.....\$	64	\$ 3,836	\$ 9,378	\$ 48	\$	\$ 13,326
Inventories.....			430,036	3,025		433,061
Receivables, deposits, and notes.		3,215	30,506			33,721
Property, plant, and equipment...		15,577	8,245	41		23,863
Prepaid expenses and other assets		12,888	22,284	30		35,202
<b>Total Homebuilding.....</b>	<b>64</b>	<b>35,516</b>	<b>500,449</b>	<b>3,144</b>		<b>539,173</b>
Financial Services.....			1,363	48,720		50,083
Investment Properties:						

Held for sale.....			779		779
Held for investment.....			11,831		11,831
Total Investment Properties....			12,610		12,610
Collateralized Mortgage Financing..				5,489	5,489
Income Taxes Receivables.....	(2,139)	(149)	9,094	(2,067)	4,739
Investments in and amounts due to and from consolidated subsidiaries.....	219,392	232,670	(251,814)	4,649	(204,897)
Total Assets.....	\$217,317	\$ 268,037	\$ 271,702	\$ 59,935	\$ (204,897) \$ 612,094

LIABILITIES

Homebuilding:

Accounts payable and other liabilities.....	\$	\$ 12,981	\$ 36,045	\$ 190	\$ 49,216
Customers' deposits.....			22,419	166	22,585
Nonrecourse mortgages.....			17,690		17,690
Total Homebuilding.....		12,981	76,154	356	89,491
Financial Services.....			554	44,619	45,173
Investment Properties.....			1,063		1,063
Collateralized Mortgage Financing..				3,987	3,987
Notes Payable.....		255,047	16		255,063
Total Liabilities.....		268,028	77,787	48,962	394,777
STOCKHOLDERS' EQUITY.....	217,317	9	193,915	10,973	(204,897) 217,317
Total Liabilities and Stockholders' Equity.....	\$217,317	\$ 268,037	\$ 271,702	\$ 59,935	\$ (204,897) \$ 612,094

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED BALANCE SHEET  
OCTOBER 31, 1998  
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid- iaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
<b>ASSETS</b>						
Homebuilding:						
Cash and cash equivalents.....	14	\$ (9,660)	\$ 21,732	\$ 1,220	\$	\$ 13,306
Inventories.....			373,364	2,369		375,733
Receivables, deposits, and notes.		2,618	26,872			29,490
Property, plant, and equipment...		10,180	6,627	24		16,831
Prepaid expenses and other assets	187	9,931	22,530	2		32,650
Total Homebuilding.....	201	13,069	451,125	3,615		468,010
Financial Services.....			1,461	75,353		76,814
Investment Properties:						
Held for sale.....			18,127			18,127
Held for investment.....			12,424			12,424
Total Investment Properties....			30,551			30,551
Collateralized Mortgage Financing..				6,396		6,396
Income Taxes Receivables-Including deferred tax benefits.....	41	382	8,419	(1,511)		7,331
Investments in and amounts due to and from consolidated subsidiaries.....	201,150	210,648	(236,457)	7,941	(183,282)	
Total Assets.....	\$201,392	\$224,099	\$ 255,099	\$ 91,794	\$ (183,282)	\$ 589,102

LIABILITIES

Homebuilding:

Accounts payable and other

liabilities.....	\$	\$ 5,908	\$ 47,636	\$ 221	\$	\$ 53,765
Customers' deposits.....			23,367	490		23,857
Nonrecourse mortgages.....			15,616			15,616
Total Homebuilding.....		5,908	86,619	711		93,238
Financial Services.....			677	68,411		69,088
Investment Properties.....			1,373			1,373
Collateralized Mortgage Financing..				5,658		5,658
Notes Payable.....		218,182	171			218,353
Total Liabilities.....		224,090	88,840	74,780		387,710
STOCKHOLDERS' EQUITY.....	201,392	9	166,259	17,014	(183,282)	201,392
Total Liabilities and Stockholders' Equity.....	\$201,392	\$224,099	\$ 255,099	\$ 91,794	\$(183,282)	\$ 589,102

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED JULY 31, 1999  
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Homebuilding.....	(159)	\$ 598	\$ 229,067	\$ 5,866	\$ (4,749)	\$ 230,623
Financial Services.....			967	4,649		5,616
Investment Properties.....			670		(285)	385
Collateralized Mortgage Financing				47		47
Intercompany Charges.....		24,562	(1,635)		(22,927)	
Equity In Pretax Income of Consolidated Subsidiaries.....	(12,893)				(12,893)	
Total Revenues.....	12,734	25,160	229,069	10,562	(40,854)	236,671
<b>Expenses:</b>						
Homebuilding.....			206,352	621	(5,094)	201,879
Financial Services.....			681	4,709	(133)	5,257
Investment Properties.....			395		(272)	123
Collateralized Mortgage Financing				68		68
Corporate General and Administration.....		7,500	529		(13)	8,016
Interest.....		15,828	7,146	57	(16,182)	6,849
Other Operations.....		366	39	4		409
Total Expenses.....		23,694	215,142	5,459	(21,694)	222,601
Income (Loss) Before Income Taxes..	12,734	1,466	13,927	5,103	(19,160)	14,070
State and Federal Income Taxes.....	5,124	468	5,238	1,668	(6,906)	5,592
Extraordinary Loss.....		(868)				(868)
Net Income (Loss).....	\$ 7,610	\$ (130)	\$ 8,689	\$ 3,435	\$(12,254)	\$ 7,610

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED JULY 31, 1998  
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Homebuilding.....		\$ 100	\$ 237,573	\$ 7,318	\$ (5,137)	\$ 239,854
Financial Services.....			971	4,591		5,562
Investment Properties.....			2,797		(267)	2,530
Collateralized Mortgage Financing				179		179

Intercompany Charges.....		21,879	548		(22,427)	
Equity In Pretax Income of Consolidated Subsidiaries.....	12,390				(12,390)	
Total Revenues.....	12,390	21,979	241,889	12,088	(40,221)	248,125
Expenses:						
Homebuilding.....			217,774	2,286	(4,956)	215,104
Financial Services.....			716	4,269	(148)	4,837
Investment Properties.....			903		(116)	787
Collateralized Mortgage Financing Corporate General and Administration.....		5,442	194		(93)	5,543
Interest.....		15,735	8,806	128	(15,896)	8,773
Other Operations.....		454	52	4	510	
Total Expenses.....		21,631	228,445	6,868	(21,209)	235,735
Income (Loss) Before Income Taxes..	12,390	348	13,444	5,220	(19,012)	12,390
State and Federal Income Taxes.....	4,677		4,687	2,044	(6,731)	4,677
Net Income (Loss).....	\$ 7,713	\$ 348	\$ 8,757	\$ 3,176	\$ (12,281)	\$ 7,713

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS  
NINE MONTHS ENDED JULY 31, 1999  
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsid- iaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
Revenues:						
Homebuilding.....	\$ (159)	\$ 627	\$ 629,986	\$ 15,400	\$ (13,313)	\$ 632,541
Financial Services.....			2,578	12,850		15,428
Investment Properties.....			2,014		(846)	1,168
Collateralized Mortgage Financing Intercompany Charges.....				322		322
Equity In Pretax Income of Consolidated Subsidiaries.....	35,540	66,402	349		(66,751)	
Total Revenues.....	35,381	67,029	634,927	28,572	(116,450)	649,459
Expenses:						
Homebuilding.....			564,875	1,789	(13,640)	553,024
Financial Services.....			1,853	12,859	(354)	14,358
Investment Properties.....			1,916		(692)	1,224
Collateralized Mortgage Financing Corporate General and Administration.....		20,038	985		(154)	20,869
Interest.....		44,514	21,342	249	(44,868)	21,237
Other Operations.....		1,282	396	11		1,689
Total Expenses.....		65,834	591,367	15,249	(59,708)	612,742
Income (Loss) Before Income Taxes..	35,381	1,195	43,560	13,323	(56,742)	36,717
State and Federal Income Taxes.....	14,191	468	16,490	5,178	(21,668)	14,659
Extraordinary Loss.....		(868)				(868)
Net Income (Loss).....	\$21,190	\$ (141)	\$ 27,070	\$ 8,145	\$ (35,074)	\$ 21,190

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS  
NINE MONTHS ENDED JULY 31, 1998  
(Thousands of Dollars)

Subsidiary	Guarantor Subsid-	Non- Guarantor	Elimin-	Consol-
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	Parent	Issuer	Subsidiaries	Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Homebuilding.....	\$	\$ 597	\$ 648,874	\$ 18,008	\$ (13,662)	\$ 653,817
Financial Services.....			2,771	10,493	13,264	
Investment Properties.....			7,585		(802)	6,783
Collateralized Mortgage Financing				541		541
Intercompany Charges.....		62,362	4,017		(66,379)	
Equity In Pretax Income of Consolidated Subsidiaries.....	29,018				(29,018)	
<b>Total Revenues.....</b>	<b>29,018</b>	<b>69,959</b>	<b>663,247</b>	<b>29,042</b>	<b>(109,861)</b>	<b>674,405</b>
<b>Expenses:</b>						
Homebuilding.....			598,363	4,283	(13,473)	589,173
Financial Services.....			1,944	9,961	(277)	11,628
Investment Properties.....			3,240		(577)	2,663
Collateralized Mortgage Financing				540		540
Corporate General and Administration.....		14,232	616		(165)	14,683
Interest.....		46,321	25,216	184	(46,482)	25,239
Other Operations.....		1,231	219	11		1,461
<b>Total Expenses.....</b>	<b></b>	<b>61,784</b>	<b>629,598</b>	<b>14,979</b>	<b>(60,974)</b>	<b>645,387</b>
Income (Loss) Before Income Taxes..	29,018	1,175	33,649	14,063	(48,887)	29,018
State and Federal Income Taxes.....	10,379		11,882	5,493	(17,375)	10,379
<b>Net Income (Loss).....</b>	<b>\$18,639</b>	<b>\$ 1,175</b>	<b>\$ 21,767</b>	<b>\$ 8,570</b>	<b>\$ (31,512)</b>	<b>\$ 18,639</b>

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS  
NINE MONTHS ENDED JULY 31, 1999  
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
<b>Cash Flows From Operating Activities:</b>						
Net Income (loss).....	\$ 21,190	\$ (141)	\$ 27,070	\$ 8,145	\$ (35,074)	\$ 21,190
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities...	2,367	(4,030)	(81,151)	11,170	35,074	(36,571)
<b>Net Cash Provided By (Used In) Operating Activities.....</b>	<b>23,557</b>	<b>(4,171)</b>	<b>(54,081)</b>	<b>19,315</b>	<b></b>	<b>(15,381)</b>
<b>Net Cash Provided by (Used In) Investing Activities.....</b>	<b></b>	<b>(1,909)</b>	<b>9,071</b>	<b>479</b>	<b></b>	<b>7,641</b>
<b>Net Cash Provided By(Used In) Financing Activities.....</b>	<b>(5,265)</b>	<b>36,551</b>	<b>2,695</b>	<b>(25,215)</b>	<b></b>	<b>8,776</b>
<b>Intercompany Investing and Financing Activities - Net.....</b>	<b>(18,242)</b>	<b>(16,975)</b>	<b>31,925</b>	<b>3,292</b>	<b></b>	<b></b>
<b>Net Increase (Decrease) In Cash.....</b>	<b>50</b>	<b>13,496</b>	<b>(10,390)</b>	<b>(2,129)</b>	<b></b>	<b>1,026</b>
<b>Cash and Cash Equivalent Balance, Beginning of Period.....</b>	<b>14</b>	<b>(9,660)</b>	<b>23,023</b>	<b>2,177</b>	<b></b>	<b>15,554</b>
<b>Cash and Cash Equivalent Balance, End of Period.....</b>	<b>\$ 64</b>	<b>\$ 3,836</b>	<b>\$ 12,633</b>	<b>\$ 48</b>	<b>\$</b>	<b>\$ 16,580</b>

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS  
NINE MONTHS ENDED JULY 31, 1998  
(Thousands of Dollars)

Guarantor Non-

	Parent	Subsidiary Issuer	Subsidi- aries	Guarantor Subsidiaries	Elimin- ations	Consol- idated
<b>Cash Flows From Operating Activities:</b>						
Net Income (loss).....	\$ 18,639	\$ 1,175	\$ 21,767	\$ 8,570	\$ (31,512)	\$ 18,639
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities...	5,596	(2,127)	(13,371)	(30,715)	31,512	(9,105)
<b>Net Cash Provided By (Used In) Operating Activities.....</b>	<b>24,235</b>	<b>(952)</b>	<b>8,396</b>	<b>(22,145)</b>		<b>9,534</b>
<b>Net Cash Provided by (Used In) Investing Activities.....</b>		<b>(1,279)</b>	<b>17,276</b>	<b>(445)</b>		<b>15,552</b>
<b>Net Cash Provided By(Used In) Financing Activities.....</b>	<b>(1,105)</b>	<b>(9,000)</b>	<b>(17,609)</b>	<b>7,103</b>	<b>(20,611)</b>	
<b>Intercompany Investing and Financing Activities - Net.....</b>	<b>(23,129)</b>	<b>18,663</b>	<b>(8,432)</b>	<b>12,898</b>		
<b>Net Increase (Decrease) In Cash.....</b>	<b>1</b>	<b>7,432</b>	<b>(369)</b>	<b>(2,589)</b>		<b>4,475</b>
<b>Cash and Cash Equivalent Balance, Beginning of Period.....</b>	<b>10</b>	<b>(5,485)</b>	<b>13,857</b>	<b>2,931</b>		<b>11,313</b>
<b>Cash and Cash Equivalent Balance, End of Period.....</b>	<b>\$ 11</b>	<b>\$ 1,947</b>	<b>\$ 13,488</b>	<b>\$ 342</b>	<b>\$</b>	<b>\$ 15,788</b>

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

CAPITAL RESOURCES AND LIQUIDITY

The Company's uses for cash during the nine months ended July 31, 1999 were for operating expenses, increases in housing inventories, construction, income taxes, interest, the paydown of subordinated debt and the repurchase of common stock. The Company provided for its cash requirements from outside borrowings, including the issuance of \$150,000,000 senior indebtedness and the revolving credit facility, sales of commercial properties, and from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

In December 1998 the Board of Directors authorized a stock repurchase program to purchase up to 3 million shares of Class A Common Stock. This authorization expires on December 31, 2000. As of July 31, 1999, 2,244,500 shares have been repurchased under this program, of which 653,000 shares were purchased during the nine months ended July 31, 1999.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") that provides a revolving credit line of up to \$275,000,000 (the "Revolving Credit Facility") through July 2002. Interest is payable monthly and at various rates of either prime or Libor plus 1.45%. The Company believes that it will be able either to extend the Agreement beyond July 2002 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement.

The subordinated indebtedness issued by the Company and outstanding as of July 31, 1999 was \$100,000,000 9 3/4% Subordinated Notes due June 2005. On May 4, 1999, the Company issued \$150,000,000 9 1/8% Senior Notes due in 2009. On June 7, 1999, the Company redeemed the remaining \$45,449,000 principal amount 11 1/4% Subordinate Notes due April 2002. The early retirement of these notes resulted in an extraordinary loss of \$868,000 net of income taxes of \$468,000. The remaining proceeds were used to reduce the outstanding balance on the Company's "Revolving Credit Facility" to zero and for general corporate purposes.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities, but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of July 31, 1999, the aggregate principal amount of all such borrowings was \$47,103,000.

The book value of the Company's residential inventories, rental

condominiums, and commercial properties completed and under development amounted to the following:

	July 31, 1999	October 31, 1998
	-----	-----
Residential real estate inventory.....	\$433,061,000	\$375,733,000
Residential rental property.....	10,747,000	10,794,000
	-----	-----
Total Residential Real Estate.....	443,808,000	386,527,000
Commercial properties.....	107,000	17,832,000
	-----	-----
Combined Total.....	\$443,915,000	\$404,359,000
	=====	=====

The increase in residential real estate inventory during the nine months ended July 31, 1999 was primarily the result of increased communities in California. Substantially all residential homes under construction or completed and included in real estate inventory at July 31, 1999 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and senior notes and subordinated indebtedness.

The following table summarizes housing lots in the Company's active selling communities under development (including Poland):

			(1) Homes Contracted Not Delivered	(2) Remaining Home Sites Available
	Commun- ities	Approved Lots	Deliv- ered	-----
	-----	-----	-----	-----
July 31, 1999.....	73	18,021	6,834	1,694
October 31, 1998.....	84	17,020	6,553	1,672
				8,795

(1) Includes 12 and 8 lots under option at July 31, 1999 and October 31, 1998, respectively.

(2) Of the total home lots available, 429 and 460 were under construction or complete (including 59 and 54 models and sales offices), 5,543 and 4,570 were under option, and 284 and 330 were financed through purchase money mortgages at July 31, 1999 and October 31, 1998, respectively.

In addition, at July 31, 1999 and October 31, 1998, respectively, in substantially completed or suspended communities, the Company owned or had under option 62 and 283 home lots. The Company also controls a supply of land primarily through options for future development. This land is consistent with anticipated home building requirements in its housing markets. At July 31, 1999 the Company controlled such land to build 12,490 proposed homes, compared to 10,963 homes at October 31, 1998.

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

	July 31, 1999			October 31, 1998		
	-----	-----	-----	-----	-----	-----
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
	-----	-----	-----	-----	-----	-----
Northeast Region....	121	24	145	180	16	196
North Carolina.....	149	--	149	93	--	93
Florida.....	8	--	8	24	6	30
Maryland.....	6	2	8	--	--	--
Virginia.....	18	7	25	23	11	34
California.....	50	26	76	78	21	99
Poland.....	27	--	27	11	--	11
	-----	-----	-----	-----	-----	-----
Total	379	59	438	409	54	463
	=====	=====	=====	=====	=====	=====

During fiscal 1997 the Company announced it was planning an orderly exit from the business of owning investment properties. During the first quarter of fiscal 1999 the Company sold three land parcels which reduced such properties \$17,725,000. At July 31, 1999 the Company had remaining one small investment property.

Collateral Mortgage Financing - Collateral for bonds payable consists of

collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - Mortgage loans held for sale consist of residential mortgages receivable of which \$44,109,000 and \$71,002,000 at July 31, 1999 and October 31, 1998, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of such mortgages is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 1999 COMPARED TO THE THREE AND NINE MONTHS ENDED JULY 31, 1998

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprised of New Jersey, southern New York State and eastern Pennsylvania), North Carolina, southeastern Florida, northern Virginia, southwestern California and Poland. The Company is expanding into Maryland and expects to begin selling homes in its fourth quarter of fiscal 1999. In addition, the Company provides financial services to its homebuilding customers and third parties.

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

	Sales Contracts for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	1999	1998	1999	1998
	(Dollars in Thousands)			
Northeast Region:				
Dollars.....	\$316,170	\$411,040	\$242,597	\$294,385
Homes.....	1,379	1,847	1,012	1,218
North Carolina:				
Dollars.....	\$114,862	\$ 93,195	\$ 65,889	\$ 50,623
Homes.....	600	504	327	260
Florida:				
Dollars.....	\$ 25,051	\$ 25,936	\$ 14,805	\$ 19,813
Homes.....	112	135	66	98
Virginia:				
Dollars.....	\$ 41,616	\$ 28,714	\$ 37,766	\$ 29,632
Homes.....	182	114	170	127
California:				
Dollars.....	\$ 79,740	\$ 53,706	\$ 33,639	\$ 21,688
Homes.....	380	313	148	134
Poland:				
Dollars.....	\$ 654	\$ 2,125	\$ 294	\$ 1,591
Homes.....	6	26	2	19
Totals:				
Dollars.....	\$578,093	\$614,716	\$394,990	\$417,732
Homes.....	2,659	2,939	1,725	1,856

Total Revenues:

Revenues for the three months ended July 31, 1999 decreased \$11.4 million or 4.6%, compared to the same period last year. This was the result of a \$10.8 million decrease in revenues from the sale of homes, a \$2.1 million decrease in investment properties revenues, and a \$0.1 million decrease in collateralized mortgage financing revenues. The decreases were partially offset by a \$1.6 million increase in land sales and other homebuilding revenues.

Revenues for the nine months ended July 31, 1999 decreased \$24.9 million or 3.7%, compared to the same period last year. This was the result of a \$24.4 million decrease in revenues from the sale of homes, a \$5.6 million decrease in investment properties revenues, and a \$0.2 million decrease in collateralized mortgage financing revenues. The decreases were partially offset by a \$3.1 million increase in land sales and other homebuilding revenues, and a \$2.2 million increase in financial services revenues.

Homebuilding:

Revenues from the sale of homes decreased \$10.8 million or 4.6% during the three months ended July 31, 1999, and decreased \$24.4 million or 3.8% during the nine months ended July 31, 1999 compared to the same periods last year. Revenues from sales of homes are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1999	1998	1999	1998
(Dollars in Thousands)				
<b>Northeast Region:</b>				
Housing Revenues.....	\$142,503	\$162,847	\$395,687	\$437,991
Homes Delivered.....	539	679	1,499	1,916
<b>North Carolina:</b>				
Housing Revenues.....	\$ 38,269	\$ 34,655	\$ 97,902	\$ 88,595
Homes Delivered.....	205	188	508	476
<b>Florida:</b>				
Housing Revenues.....	\$ 9,690	\$ 8,111	\$ 27,554	\$ 32,877
Homes Delivered.....	41	44	119	187
<b>Virginia:</b>				
Housing Revenues.....	\$ 11,400	\$ 11,256	\$ 29,952	\$ 22,217
Homes Delivered.....	46	46	127	84
<b>California:</b>				
Housing Revenues.....	\$ 24,792	\$ 18,832	\$ 68,651	\$ 59,566
Homes Delivered.....	120	104	351	316
<b>Poland:</b>				
Housing Revenues.....	\$ 417	\$ 2,199	\$ 1,348	\$ 4,278
Homes Delivered.....	2	24	11	48
<b>Totals:</b>				
Housing Revenues.....	\$227,071	\$237,900	\$621,094	\$645,524
Homes Delivered.....	953	1,085	2,615	3,027

The 12.2% and 13.6% decreases in the number of homes delivered for the three and nine months ended July 31, 1999, respectively, compared to the same periods last year, were primarily due to the decreases in Florida and Northeast Region which were somewhat offset by increases in North Carolina, Virginia and California. In Florida, deliveries declined since the Company cut back its operations due to dissatisfaction with its performance. The decrease in deliveries in the Northeast Region was primarily due to a reduced number of communities during the three and nine months ended July 31, 1999, compared to the same periods last year. The increases in North Carolina, Virginia and California were primarily due to the Company's attempts to increase its presence in these markets by opening more communities. The decrease in housing revenues was 4.6% and 3.8% during the three and nine months ended July 31, 1999, respectively, compared to the same periods last year. The decrease in housing revenues was not as great as the decrease in the number of homes delivered due to higher average home prices. Average home prices increased to \$237,512 compared to \$213,255 during the nine months ended July 31, 1999 and 1998, respectively.

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1999	1998	1999	1998
(Dollars in Thousands)				
Sale of Homes.....	\$227,071	\$237,900	\$621,094	\$645,524
Cost of Sales.....	178,089	194,898	487,423	532,646
Housing Gross Margin.....	\$ 48,982	\$ 43,002	\$133,671	\$112,878

Gross Margin Percentage..... 21.6% 18.1% 21.5% 17.5%

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1999	1998	1999	1998
Sale of Homes.....	100.0%	100.0%	100.0%	100.0%
Cost of Sales:				
Housing, land & development costs....	70.4	74.2	70.4	74.7
Commissions.....	2.0	1.9	2.0	1.9
Financing concessions..	0.8	0.7	0.8	0.7
Overheads.....	5.2	5.1	5.3	5.2
Total Cost of Sales.....	78.4	81.9	78.5	82.5
Gross Margin.....	21.6%	18.1%	21.5%	17.5%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and on home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. In addition, gross margin percentages are higher in the Northeast Region compared to the Company's other markets. For the three and nine months ended July 31, 1999 the Company's gross margin percentage increased 3.5% and 4.0%, respectively, compared to the same periods last year. This can be attributed to higher gross margins being achieved in each of the Company's markets. Higher gross margins are primarily attributed to positive effects from process redesign and quality programs that reduced housing and land development costs, selective price increases or reduced selling incentives in the Company's stronger markets, and an increased percentage of deliveries from the better performing communities.

Selling, general, and administrative costs as a percentage of total homebuilding revenues increased to 9.0% for the three months ended July 31, 1999 from 7.3% for the prior year's three months, and increased to 9.0% for the nine months ended July 31, 1999 from 7.5% for the prior year's nine months. Such expenses increased during the three and nine months ended July 31, 1999 \$3.2 million and \$7.8 million, respectively, compared to the same periods last year. The overall percentage and dollar increases in selling, general and administrative is principally due to decreased deliveries and increases in administrative costs primarily in the Company's Northeast Region, North Carolina, and California.

Land Sales and Other Revenues:

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	1999	1998	1999	1998
Land and Lot Sales.....	\$ 1,974	\$ 954	\$ 7,508	\$ 4,317
Cost of Sales.....	1,868	1,126	7,158	3,984
Land and Lot Sales Gross Margin...	106	(172)	350	333
Interest Expense.....	94	96	836	413
Land and Lot Sales Profit Before Tax.....	\$ 12	\$ (268)	\$ (486)	\$ (80)

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

Financial Services

Financial services consist primarily of originating mortgages from the

Company's homebuyers, as well as from third parties, selling such mortgages in the secondary market, and title insurance activities. For the three and nine months ended July 31, 1999 financial services provided a \$0.4 million and \$1.1 million pretax profit, respectively, compared to a profit of \$0.7 million and \$1.6 million for the same periods in 1998. The Company's mortgage banking goals are to improve profitability by increasing the capture rate of its homebuyers and expanding its business to include originations from unrelated third parties. The Company has initiated efforts to originate mortgages from unrelated third parties and expects these third party loans to increase as a percentage of the Company's total loan volume over the next few years.

#### Investment Properties

Investment Properties consisted of rental properties, property management, and gains or losses from the sale of such properties. At the end of the second quarter of 1997 the Company announced that it was planning an orderly exit from the investment properties business. During the three months ended January 31, 1999 the Company sold three land parcels for a total sales price of \$20.8 million and recorded a loss before income taxes of \$0.5 million. At July 31, 1999 all commercial facilities and land (except for one small parcel) have been liquidated. The Company is retaining two senior citizen residential rental communities.

#### Collateralized Mortgage Financing

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

#### Corporate General and Administrative

Corporate general and administrative expenses include the operations at the Company's headquarters in Red Bank, New Jersey. Such expenses include the Company's executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, and administration of insurance, quality, and safety. As a percentage of total revenues, such expenses increased to 3.4% for the three months ended July 31, 1999 from 2.2% for the prior year's three months. For the nine months ended July 31, 1999 such expenses increased to 3.2% from 2.2% for the prior year nine months. Corporate general and administrative expenses increased \$2.5 million and \$6.2 million during the three and nine months ended July 31, 1999 compared to the same periods last year. These increases are primarily attributed to increased process redesign costs associated with the design and development of streamlined business processes associated with the implementation of SAP, our new enterprise wide fully integrated software package and increased depreciation expense related to capitalized process redesign costs in prior years.

#### Interest

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

	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	1999	1998	1999	1998
Sale of Homes.....	\$ 6,489	\$ 7,997	19,490	\$22,982
Land and Lot Sales.....	94	96	836	413
Rental Properties.....	266	680	911	1,844
Total.....	\$ 6,849	\$ 8,773	21,237	\$25,239

Housing interest as a percentage of sale of homes revenues amounted to 2.9% and 3.1% for the three and nine months ended July 31, 1999, respectively, and 3.4% and 3.6% for the three and nine months ended July 31, 1998, respectively. The decrease in the percentage for the three and nine months ended July 31, 1999 was primarily the result of the Company's lower debt levels. Lower debt levels are attributed to debt reductions resulting from cash generated by the liquidation of investment properties and income from fiscal 1998.

#### Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, amortization of prepaid subordinated note issuance expenses and corporate owned life insurance loan interest.

#### Total Taxes

Total taxes as a percentage of income before taxes amounted to approximately 39.9% and 35.8% for the nine months ended July 31, 1999 and 1998, respectively. The increase in this percentage from 1998 to 1999 is primarily attributed to higher state taxes and the elimination of certain federal tax benefits associated with the Company's corporate owned life insurance. Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years.

#### Extraordinary Loss

On June 7, 1999, the Company redeemed \$45,449,000 11 1/4% Subordinated Notes due 2002 at a price of 101.875% of par which resulted in an extraordinary loss of \$868,000 net of income taxes of \$468,000.

#### Year 2000 Issues

The Company has assessed and formulated a plan to resolve its information technology ("IT") and non-IT system year 2000 issues. The Company has designated a full-time year 2000 project leader, engaged consultants to review and evaluate its plan, completed the identification of Company IT and non-IT noncompliant systems and evaluated subcontractors' and suppliers' state of readiness. The Company's plan has prioritized its efforts on its software systems and computer hardware equipment. The Company has upgraded, fixed or retired 98% of its noncompliant systems. All other Company IT and non-IT systems are not considered critical to Company operations, and if non-capable for year 2000, would only be an inconvenience. The Company does not anticipate the costs of implementation of its plan to have a material impact on future earnings and is expected to be funded through operations.

The Company is concerned about the readiness of its subcontractors and suppliers. The Company has communicated with 100% of these third parties. The Company has been informed that 85% of the subcontractors and suppliers are year 2000 compliant, and the remaining 15% are expected to be compliant by September 30, 1999. If any of the third parties are not year 2000 compliant by September 30, 1999 and such third parties would have a substantial impact on the Company's operations, the Company will look to replace such subcontractors and suppliers. In most cases, the Company uses more than one subcontractor and supplier so it believes finding replacements will not be difficult.

The Company believes it is on track to solve its year 2000 issues. It does not believe it will have material lost revenues due to the year 2000 issues. Based on the above, it sees no need to develop a worst-case year 2000 scenario. However, the Company is in the process of developing year 2000 contingency plans which are approximately 90% complete.

#### Inflation

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

Inflation has a lesser short-term effect on the Company because the Company generally negotiates fixed price contracts with its subcontractors and material suppliers for the construction of its homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between four to twelve months. Construction costs for residential buildings represent approximately 56% of the Company's total costs and expenses.

#### Quantitative and Qualitative Disclosure of Market Risk

On May 4, 1999, the Company issued \$150,000,000 9 1/8% Senior Notes due in

2009. Such transaction was conducted under market conditions and falls within the parameters of the Company's strategy for managing its market risk. The proceeds were used to reduce the outstanding balance on the Company's "Revolving Credit Facility" to zero, for general corporate purposes, and on June 7, 1999, to redeem the remaining \$45,449,000 11 1/4% Subordinated Notes due 2002.

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: September 13, 1999

/S/J.LARRY SORSBY  
J. Larry Sorsby,  
Senior Vice President,  
Treasurer and  
Chief Financial Officer

DATE: September 13, 1999

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

9-MOS

OCT-31-1999		
JUL-31-1999		
		16,580
		0
	33,721	
		0
	433,061	
571,356		
		42,098
	18,235	
	612,094	
137,102		
		257,660
		237
0		
		0
	217,080	
612,094		
		628,601
	649,459	
		494,581
	591,505	
	0	
	0	
21,237		
	36,717	
	14,659	
22,058		
	0	
	868	
		0
	21,190	
	1.00	
	0.99	

AMENDMENT TO  
AMENDED AND RESTATED CREDIT AGREEMENT

This Amendment to Amended and Restated Credit Agreement ("Amendment") dated as of the 13th day of July, 1999 among K. Hovnanian Enterprises, Inc. ("Company"), Hovnanian Enterprises, Inc. ("Hovnanian"), the subsidiaries of Hovnanian listed on the signature pages of this Amendment (each, together with Hovnanian, a "Guarantor" and collectively the "Guarantors"), PNC Bank, National Association as Agent for the Banks ("Agent"), and the financial institutions listed on the signature pages of this Amendment (collectively, the "Banks" and severally each a "Bank").

BACKGROUND

WHEREAS, pursuant to that certain Amended and Restated Credit Agreement, dated as of July 29, 1998, among the Company, certain Guarantors named therein or thereafter added, the Banks named therein, and the Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"), the Banks named therein agreed to make certain loans and extend credit to the Company;

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

WHEREAS, NationsBank, National Association ("NationsBank") has assigned its Revolving Credit Commitment to Bank of America National Trust and Savings Association ("B of A") as a result of which B of A has succeeded to the rights, title, interest and obligations of NationsBank with respect thereto and under the Credit Agreement and related agreements and documents;

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

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

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

2. The definitions of "Commitment Termination Date," "Revolving Credit Commitments," "Revolving Credit Commitment Percentage" and "Total Debt Multiplier" contained in Paragraph 1.1 of the Credit Agreement are hereby deleted and respectively replaced in their entirety by the following new definitions:

"Commitment Termination Date" shall mean, with respect to each Bank, July 31, 2002, provided, however, that on or before April 30 of each year, each Bank will review its respective commitment and, in its sole discretion, may extend the Commitment Termination Date for a period of twelve months, provided, that in no event shall the Commitment Termination Date be so extended unless and until all Banks agree to such extension in writing.

"Revolving Credit Commitments" means the collective commitments of all the Banks to make Revolving Credit Loans to the Company pursuant to this Agreement in an aggregate principal amount not to exceed, at any time outstanding, \$265,000,000, as such amount may be increased pursuant to Subsection 8.7(c) hereof up to a maximum collective amount of \$290,000,000, provided, however, that the Revolving Credit Commitment of each Bank shall at all times be reduced by an amount equal to each such Bank's Revolving Credit Commitment Percentage of any then outstanding Excess Other Senior Homebuilding Indebtedness and the "Revolving Credit Commitment of any Bank at any particular time means the respective commitment of such Bank to make Revolving Credit Loans to the Company pursuant to this Agreement in an amount equal to its Revolving Credit Commitment Percentage multiplied by the aggregate principal amount of the Revolving Credit Commitments, all as set forth on Replacement Schedule 9 attached hereto.

"Revolving Credit Commitment Percentage" shall mean, with respect to any Bank at any time, the amount of such Bank's Revolving Credit Commitment divided by the aggregate amount of the Revolving Credit Commitments of all the Banks, as set forth on Replacement Schedule 9 attached hereto.

"Total Debt Multiplier" shall mean 2.75 (or 2.40 as of and after August 1, 2000), subject to Out of Compliance Period Adjustments which cannot, in any event, cause the Total Debt Multiplier to exceed 2.75 (or 2.40 as of and after August 1, 2000).

3. Paragraph 2.8 of the Credit Agreement is modified to delete the number of "\$40,000,000" in the third line thereof and replace it with the number "\$80,000,000." The parties acknowledge and confirm that letter of credit #7402235 in the face amount of \$4,968,000 issued by B of A on June 25, 1999 is deemed a Letter of Credit issued under the Agreement.

4. Notwithstanding any provision of the Credit Agreement to the contrary, including without limitation the definitions of "Excess Other Senior Homebuilding Indebtedness" and "Revolving Credit Commitments", no reduction in the Revolving Credit Commitment of any Bank shall result from the issuance of the Company's 9 1/8% Senior Notes due 2009 in the original principal amount of \$150,000,000 issued pursuant to an Indenture Supplement dated as of May 4, 1999 among (as identified therein) the Company, the Issuer, the Guarantors and First Union National Bank, as trustee.

5. Paragraph 9.8 of the Credit Agreement is hereby deleted in its entirety and replaced by the following:

Documentation Agent. The parties hereto covenant and agree that B of A shall be a documentation agent (the "Documentation Agent") who shall perform such duties and responsibilities as the Company, the Agent and the Banks may hereafter request and the Documentation Agent shall accept (in its discretion). Without the prior written consent of the Agent, no duty, responsibility, right or option granted to the Agent shall be delegated to the Documentation Agent and no compensation payable to the Agent shall be shared with the Documentation Agent. Except as limited by this paragraph, each disclaimer, exculpation provision, indemnity and other provision contained in Section 9 of the Credit Agreement provided for the benefit of the Agent shall likewise be deemed given to and provided for the Documentation Agent.

6. Contemporaneously with the execution hereof, the Company shall pay to the Agent, for the benefit of each Bank, in consideration of the agreements and undertakings of the Banks set forth in this Amendment, an amendment fee equal to one-tenth of one percent (.10%) of the amount of the Facility Commitment of each such Bank (the calculation thereof being made after giving effect to any changes to their respective Facility Commitments made as a result of this Amendment).

7. The Company hereby warrants and represents as follows:

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

(b) The Company has full power, authority and legal right to execute, deliver and perform under this Amendment. The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate action and are in furtherance of its corporate purposes.

(c) The Guarantors each have full power, authority and legal right to execute, deliver and perform under this Amendment. The execution, delivery and performance by each Guarantor of this Amendment have been duly authorized by all necessary corporate action and are in furtherance of its respective corporate purposes.

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

(e) The execution, delivery and performance of and compliance with this Amendment will not result in any violation of or be in conflict with or constitute a default under any term of the respective certificates of incorporation or bylaws of the Company or any Guarantor, or of any agreement, indenture, mortgage, lease, assignment, note or other instrument to which the Company or any Guarantor is a party or which purports to be binding upon any of them or upon any of their properties or assets, or any judgment, decree, order, law, statute, ordinance, rule or governmental regulation applicable to any of them (except to the extent that any such violations, in the aggregate, could not reasonably be expected to have a Material Adverse Effect), or result in the creation of an Encumbrance upon any of their properties or assets pursuant to any such term.

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

(i) Schedule 1 has been modified as a result of the inclusion of additional Guarantors and other Consolidated Subsidiaries since the date of the Credit Agreement, each additional Guarantor having executed a separate Joinder Agreement and also executing this Amendment in such capacity with the Supplement to Schedule 1 reflecting the names and status of all such additional Consolidated Subsidiaries attached hereto and made part hereof;

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

(iii) Schedule A attached hereto reflects the names of

Guarantors for whom Articles of Dissolution have been filed with the appropriate office of each such entity's state of formation since the date of the Credit Agreement.

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned parties have executed this Amendment on the date first above written.

BORROWER:

K. HOVNIANIAN ENTERPRISES, INC.

By:

-----  
Name: J. Larry Sorsby  
Title: Senior Vice President, Treasurer and  
Chief Financial Officer

Attest:

-----  
Name:  
Title:

GUARANTORS:

HOVNIANIAN ENTERPRISES, INC.

By:

-----  
Name: J. Larry Sorsby  
Title: Senior Vice President, Treasurer and  
Chief Financial Officer

Attest:

-----  
Name:  
Title:

ARROW PROPERTIES, INC.

BALLANTRAE DEVELOPMENT CORP.

BALLANTRAE HOME SALES, INC.

DRYER ASSOCIATES, INC.

EASTERN NATIONAL TITLE INSURANCE AGENCY, INC.

EASTERN TITLE AGENCY, INC.

EXC, INC.

FOUNDERS TITLE AGENCY, INC.

GOVERNOR'S ABSTRACT CO., INC.

HOVNIANIAN AT TARPON LAKES I, INC.

HOVNIANIAN AT WINDSONG EAST BRUNSWICK, INC.

HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.

HOVNIANIAN OF PALM BEACH IX, INC. HOVNIANIAN OF PALM BEACH XI, INC.

HOVNIANIAN OF PALM BEACH, INC.

HOVNIANIAN PENNSYLVANIA, INC.

HOVNIANIAN PROPERTIES OF ATLANTIC COUNTY, INC.

HOVNIANIAN TEXAS, INC.

JERSEY CITY DANFORTH CSO, INC.

K. HOV INTERNATIONAL, INC.

K. HOVNIANIAN ACQUISITIONS, INC.

K. HOVNIANIAN AT ASHBURN VILLAGE, INC.

K. HOVNIANIAN AT ATLANTIC CITY, INC.

K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.

K. HOVNIANIAN AT BALLANTRAE, INC.

K. HOVNIANIAN AT BARRINGTON, INC.

K. HOVNIANIAN AT BEDMINSTER II, INC.

K. HOVNIANIAN AT BEDMINSTER, INC.

K. HOVNIANIAN AT BELMONT, INC.

K. HOVNIANIAN AT BERLIN, INC.

K. HOVNIANIAN AT BERNARDS II, INC.

K. HOVNIANIAN AT BERNARDS III, INC.

K. HOVNIANIAN AT BERNARDS IV, INC.

K. HOVNIANIAN AT BRANCHBURG I, INC.

K. HOVNIANIAN AT BRANCHBURG II, INC.

K. HOVNIANIAN AT BRANCHBURG III, INC.

K. HOVNIANIAN AT BRANCHBURG IV, INC.

K. HOVNIANIAN AT BRIDGEPORT, INC.

K. HOVNIANIAN AT BRIDGEWATER II, INC.

K. HOVNIANIAN AT BRIDGEWATER III, INC.

K. HOVNIANIAN AT BRIDGEWATER IV, INC.

K. HOVNIANIAN AT BRIDGEWATER V, INC.

K. HOVNIANIAN AT BRIDGEWATER VI, INC.

K. HOVNIANIAN AT BULL RUN, INC.

K. HOVNIANIAN AT BURLINGTON II, INC.

K. HOVNIANIAN AT BURLINGTON III, INC.

K. HOVNIANIAN AT BURLINGTON, INC.

K. HOVNIANIAN AT CALABRIA, INC.

K. HOVNIANIAN AT CAMERON CHASE, INC.

K. HOVNIANIAN AT CARMEL DEL MAR, INC.

K. HOVNIANIAN AT CARMEL, INC.

K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.

K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.

K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.

K. HOVNIANIAN AT CASTILE, INC.

K. HOVNIANIAN AT CEDAR GROVE I, INC.

K. HOVNIANIAN AT CEDAR GROVE II, INC.

K. HOVNIANIAN AT CHAPEL TRAIL, INC.

K. HOVNIANIAN AT CHAPPARRAL, INC.

K. HOVNIANIAN AT CLARKSTOWN, INC.

K. HOVNIANIAN AT COCONUT CREEK, INC.

K. HOVNIANIAN AT CRESTLINE, INC.

K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.

K. HOVNIANIAN AT DOMINION RIDGE, INC.

K. HOVNIANIAN AT DONINGUEZ HILLS, INC.

K. HOVNIANIAN AT EAST BRUNSWICK V, INC.

K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.

K. HOVNIANIAN AT EAST BRUNSWICK VII, INC.

K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.

K. HOVNIANIAN AT EAST WHITELAND I, INC.

K. HOVNIANIAN AT EAST WINDSOR I, INC.

K. HOVNIANIAN AT EAST WINDSOR II, INC.

K. HOVNIANIAN AT EXETER HILLS, INC.

K. HOVNIANIAN AT FAIR LAKES GLEN, INC.

K. HOVNIANIAN AT FAIR LAKES, INC.

K. HOVNIANIAN AT FAIRWAY VIEWS, INC.

K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.

K. HOVNIANIAN AT FT. MYERS I, INC.

K. HOVNIANIAN AT FT. MYERS II, INC.

K. HOVNIANIAN AT GREENBROOK, INC.

K. HOVNIANIAN AT HACKETTSTOWN, INC.

K. HOVNIANIAN AT HALF MOON BAY, INC.

K. HOVNIANIAN AT HAMILTON II, INC.

K. HOVNIANIAN AT HAMPTON OAKS, INC.

K. HOVNIANIAN AT HANOVER, INC.

K. HOVNIANIAN AT HERSHEY'S MILL, INC. (a PA Corp)K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.

K. HOVNIANIAN AT HOLLY CREST, INC.

K. HOVNIANIAN AT HOLMDEL TOWNSHIP, INC.

K. HOVNIANIAN AT HOPEWELL I, INC.

K. HOVNIANIAN AT HOPEWELL III, INC.

K. HOVNIANIAN AT HOPEWELL IV, INC.

K. HOVNIANIAN AT HOPEWELL V, INC.

K. HOVNIANIAN AT HOPEWELL VI, INC.

K. HOVNIANIAN AT HORIZON HEIGHTS, INC.

K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.

K. HOVNIANIAN AT HUNTER ESTATES, INC.

K. HOVNIANIAN AT INVERRARY I, INC.

K. HOVNIANIAN AT JACKSONVILLE II, INC.

K. HOVNIANIAN AT JEFFERSON, INC.

K. HOVNIANIAN AT JERSEY CITY I, INC.

K. HOVNIANIAN AT JERSEY CITY II, INC.

K. HOVNIANIAN AT JERSEY CITY III, INC.

K. HOVNIANIAN AT KINGS GRANT I, INC.

K. HOVNIANIAN AT KLOCKNER FARMS, INC.

K. HOVNIANIAN AT LA TERRAZA, INC.

K. HOVNIANIAN AT LA TROVATA, INC.

K. HOVNIANIAN AT LAKE CHARLESTON II, INC.

K. HOVNIANIAN AT LAKE CHARLESTON, INC.

K. HOVNIANIAN AT LAKES OF BOCA RATON, INC.

K. HOVNIANIAN AT LAKEWOOD, INC.

K. HOVNIANIAN AT LAWRENCE GROVE, INC.

K. HOVNIANIAN AT LAWRENCE SQUARE, INC.

K. HOVNIANIAN AT LOCUST GROVE I, INC.

K. HOVNIANIAN AT LOWER SAUCON, INC.

K. HOVNIANIAN AT LOWER SAUCON II, INC.

K. HOVNIANIAN AT MAHWAH II, INC.

K. HOVNIANIAN AT MAHWAH III, INC.

K. HOVNIANIAN AT MAHWAH IV, INC.

K. HOVNIANIAN AT MAHWAH IX, INC.

K. HOVNIANIAN AT MAHWAH V, INC.

K. HOVNIANIAN AT MAHWAH VI, INC.

K. HOVNIANIAN AT MAHWAH VII, INC.

K. HOVNIANIAN AT MAHWAH VIII, INC.

K. HOVNIANIAN AT MANALAPAN, INC.

K. HOVNIANIAN AT MARLBORO TOWNSHIP II, INC.

K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.

K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.

K. HOVNIANIAN AT MARLBORO TOWNSHIP, INC.

K. HOVNIANIAN AT MARTIN DOWNS II, INC.

K. HOVNIANIAN AT MEDFORD I, INC.

K. HOVNIANIAN AT MERRIMACK II, INC.

K. HOVNIANIAN AT MERRIMACK, INC.

K. HOVNIANIAN AT MONTCLAIR, INC.

K. HOVNIANIAN AT MONTCLAIR, NJ, INC.

K. HOVNIANIAN AT MONTGOMERY I, INC.

K. HOVNIANIAN AT MONTVILLE II, INC.

K. HOVNIANIAN AT MONTVILLE, INC.

K. HOVNIANIAN AT NEWARK I, INC.

K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION I, INC.

K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION III, INC.

K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION IV, INC.

K. HOVNIANIAN AT NEWARK URBAN RENEWAL CORPORATION V, INC.

K. HOVNIANIAN AT NORTH BRUNSWICK II, INC.

K. HOVNIANIAN AT NORTH BRUNSWICK III, INC.

K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.

K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNIANIAN AT NORTHLAKE, INC.

K. HOVNIANIAN AT OCEAN TOWNSHIP II, INC.

K. HOVNIANIAN AT OCEAN TOWNSHIP, INC.

K. HOVNIANIAN AT OCEAN WALK, INC.

K. HOVNIANIAN AT P.C. HOMES, INC.

K. HOVNIANIAN AT P.C. PROPERTIES, INC.

K. HOVNIANIAN AT PARK RIDGE, INC.

K. HOVNIANIAN AT PASCO I, INC.

K. HOVNIANIAN AT PASCO II, INC.

K. HOVNIANIAN AT PEEKSKILL, INC.

K. HOVNIANIAN AT PEMBROKE SHORES, INC.

K. HOVNIANIAN AT PERKIOMEN I, INC.

K. HOVNIANIAN AT PERKIOMEN II, INC.

K. HOVNIANIAN AT PLAINSBORO I, INC.

K. HOVNIANIAN AT PLAINSBORO III, INC.

K. HOVNIANIAN AT POLO TRACE, INC.

K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL, INC.

K. HOVNIANIAN AT PRESTON, INC.

K. HOVNIANIAN AT PRINCETON, INC.

K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.

K. HOVNIANIAN AT RARITAN I, INC.

K. HOVNIANIAN AT RESERVOIR RIDGE, INC.

K. HOVNIANIAN AT RIVER OAKS, INC.

K. HOVNIANIAN AT SAN SEVAINE, INC.

K. HOVNIANIAN AT SARATOGA, INC.

K. HOVNIANIAN AT SCOTCH PLAINS II, INC.

K. HOVNIANIAN AT SENECA CROSSING, INC.

K. HOVNIANIAN AT SMITHVILLE II, INC.

K. HOVNIANIAN AT SMITHVILLE, INC.

K. HOVNIANIAN AT SOMERSET III, INC.

K. HOVNIANIAN AT SOMERSET VI, INC.

K. HOVNIANIAN AT SOMERSET VIII, INC.

K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.  
K. HOVNIANIAN AT SOUTH BRUNSWICK, INC.  
K. HOVNIANIAN AT SPRING RIDGE, INC.  
K. HOVNIANIAN AT STONE CANYON, INC.  
K. HOVNIANIAN AT STONEGATE, INC. (a CA Corporation)  
K. HOVNIANIAN AT STONEGATE, INC. (a VA Corporation)  
K. HOVNIANIAN AT STONY POINT, INC.  
K. HOVNIANIAN AT STUART ROAD, INC.  
K. HOVNIANIAN AT SUMMERWOOD, INC.  
K. HOVNIANIAN AT SULLY STATION, INC.  
K. HOVNIANIAN AT SYCAMORE, INC.  
K. HOVNIANIAN AT TANNERY HILL, INC.  
K. HOVNIANIAN AT TARPON LAKES III, INC.  
K. HOVNIANIAN AT TAUNTON, INC.  
K. HOVNIANIAN AT THE BLUFF, INC.  
K. HOVNIANIAN AT THE CEDARS, INC.  
K. HOVNIANIAN AT THE GLEN, INC.  
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.  
K. HOVNIANIAN AT THORNBURY, INC.  
K. HOVNIANIAN AT TIERRASANTA, INC.  
K. HOVNIANIAN AT TUXEDO, INC.  
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.  
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.  
K. HOVNIANIAN AT UPPER MERION, INC.  
K. HOVNIANIAN AT VAIL RANCH, INC.  
K. HOVNIANIAN AT VALLEYBROOK II, INC.  
K. HOVNIANIAN AT VALLEYBROOK, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP IV, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP VII, INC.  
K. HOVNIANIAN AT WALL TOWNSHIP, INC.  
K. HOVNIANIAN AT WASHINGTONVILLE, INC.  
K. HOVNIANIAN AT WAYNE II, INC.  
K. HOVNIANIAN AT WAYNE III, INC.  
K. HOVNIANIAN AT WAYNE IV, INC.  
K. HOVNIANIAN AT WAYNE V, INC.

K. HOVNIANIAN AT WAYNE VI, INC.

K. HOVNIANIAN AT WAYNE VII, INC.

K. HOVNIANIAN AT WAYNE, INC.

K. HOVNIANIAN AT WEST ORANGE, INC.

K. HOVNIANIAN AT WESTCHESTER, INC.

K. HOVNIANIAN AT WINSTON TRAILS II, INC.

K. HOVNIANIAN AT WINSTON TRAILS, INC.

K. HOVNIANIAN AVIATION, INC.

K. HOVNIANIAN COMPANIES AT WILDROSE, INC.

K. HOVNIANIAN COMPANIES NORTHEAST, INC.

K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.

K. HOVNIANIAN COMPANIES OF CENTRAL JERSEY, INC.

K. HOVNIANIAN COMPANIES OF FLORIDA, INC.

K. HOVNIANIAN COMPANIES OF MARYLAND, INC.

K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.

K. HOVNIANIAN COMPANIES OF NEW YORK, INC.

K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.

K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.

K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.

K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.

K. HOVNIANIAN FLORIDA DIVISION, INC. (f/k/a K. HOVNIANIAN TREASURE COAST, INC.)

K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.

K. HOVNIANIAN INVESTMENT PROPERTIES, INC.

K. HOVNIANIAN MARINE, INC.

K. HOVNIANIAN MORTGAGE USA, INC.

K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.

K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.

K. HOVNIANIAN PROPERTIES OF HAMILTON, INC.

K. HOVNIANIAN PROPERTIES OF LAKE WORTH, INC.

K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.

K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK I, INC.

K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK III, INC.

K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK IV, INC.

K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.

K. HOVNIANIAN PROPERTIES OF NORTH CENTER DRIVE, INC.

K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.

K. HOVNIANIAN PROPERTIES OF POMPANO BEACH, INC.  
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.  
K. HOVNIANIAN PROPERTIES OF ROUTE 35, INC.  
K. HOVNIANIAN PROPERTIES OF WALL TOWNSHIP VIII, INC.  
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.  
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.  
K. HOVNIANIAN SOUTHEAST REGION, INC. (f/k/a K. HOVNIANIAN FLORIDA REGION, INC.)K.  
HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.  
KHC ACQUISITION, INC.  
KHIPE, INC.  
KINGS GRANT EVESHAM CORP.  
LANDARAMA, INC.  
MINERVA GROUP, INC.  
MOLLY PITCHER CONSTRUCTION CO., INC.  
MONTEGO BAY I ACQUISITION CORP., INC.  
MONTEGO BAY II ACQUISITION CORP., INC.  
NEW ENGLAND COMMUNITY MANAGEMENT CO., INC.  
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.  
PARTHENON GROUP, INC.  
PIKE UTILITIES, INC.  
PINE BROOK CO., INC.  
RECREATIONAL DEVELOPMENT CORP., INC.  
STONEBROOK HOMES, INC.  
THE NEW FORTIS CORPORATION  
TROPICAL SERVICE BUILDERS, INC.  
WESTERN FINANCIAL SERVICES, INC.

By: \_\_\_\_\_  
Name: J. Larry Sorsby  
Title: On behalf of, and as Senior  
Vice President, Treasurer and Chief  
Financial Officer of  
each of the foregoing corporations

Attest: \_\_\_\_\_  
Name:  
Title:

K. HOVNIANIAN AT BERKELEY, L.L.C.  
K. HOVNIANIAN AT BERNARDS V, L.L.C.  
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.  
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.  
K. HOVNIANIAN AT CHESTER I, L.L.C.  
K. HOVNIANIAN AT CLIFTON, L.L.C.  
K. HOVNIANIAN AT GUTTENBERG, L.L.C.  
K. HOVNIANIAN AT JACKSON, L.L.C.

- K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
- K. HOVNANIAN AT KING FARM, L.L.C.
- K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
- K. HOVNANIAN AT LAFAYETTE ESTATES, L.L.C.
- K. HOVNANIAN AT LAWRENCE V, L.L.C.
- K. HOVNANIAN AT LINWOOD, L.L.C.
- K. HOVNANIAN AT LOWER SAUCON II, L.L.C.
- K. HOVNANIAN AT MANSFIELD I, LLC
- K. HOVNANIAN AT MANSFIELD II, LLC
- K. HOVNANIAN AT MENIFEE, L.L.C.
- K. HOVNANIAN AT MIDDLETOWN, L.L.C.
- K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
- K. HOVNANIAN AT NORTHFIELD, L.L.C.
- K. HOVNANIAN AT PRICE WILLIAM, L.L.C.
- K. HOVNANIAN AT ROWLAND HEIGHTS, L.L.C.
- K. HOVNANIAN AT SOUTH AMBOY, L.L.C.
- K. HOVNANIAN AT SOUTH BANK, L.L.C.
- K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
- K. HOVNANIAN AT WANAQUE, L.L.C.
- K. HOVNANIAN AT WAYNE VIII, L.L.C.
- K. HOVNANIAN AT WEST WINDSOR, L.L.C.
- K. HOVNANIAN AT WINCHESTER, L.L.C.
- K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
- K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
- K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
- K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
- K. HOVNANIAN SOUTH JERSEY ACQUISITION, L.L.C.
- K. HOVNANIAN'S FOUR SEASONS, L.L.C.

By: K. Hovnanian  
 Developments of New Jersey, Inc., as the sole  
 member of each of the foregoing limited  
 liability companies

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

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

Attest: \_\_\_\_\_

Name:  
 Title:

AGENT:

PNC Bank, National Association, as Agent  
 By: \_\_\_\_\_

Name:  
 Title:

BANKS:

PNC Bank, National Association

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

Name:

Title:

Bank of America National Trust  
and Savings Association

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

Name:

Title:

First Union National Bank

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

Name:

Title:

BankBoston, N.A.  
(f/k/a First National Bank of Boston)

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

Name:

Title:

First National Bank of Chicago

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

Name:

Title:

Comerica Bank

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

Name:

Title:

Credit Lyonnais New York Branch

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

Name:

Title:

Guaranty Federal Bank F.S.B.

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

Name:

Title:

SUPPLEMENT TO SCHEDULE 1

Consolidated Subsidiaries of Hovnanian Enterprises, Inc.

Company Name	Type Code
(1)K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C. (K. HOVNANIAN AT NORTH JERSEY ACQUISITION, L.L.C.)	5
(1)K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C. (K. HOVNANIAN CENTRAL ACQUISITION, L.L.C.)	5
(1)K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C. (K. HOVNANIAN NORTH CENTRAL ACQUISITION, L.L.C.)	5
(1)K. HOVNANIAN SHORE ACQUISITIONS, L.L.C. (K. HOVNANIAN SHORE ACQUISITION, L.L.C.)	5
K. HOVNANIAN SOUTH JERSEY ACQUISITION, L.L.C.	5
K. HOVNANIAN AT CHESTER I, L.L.C.	5
K. HOVNANIAN AT WANAQUE, L.L.C.	5
K. HOVNANIAN AT WEST WINDSOR, L.L.C.	5

K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.	5
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.	5
K. HOVNIANIAN AT BERKELEY, L.L.C.	5
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.	5
K. HOVNIANIAN AT JACKSON, L.L.C.	5
K. HOVNIANIAN AT LAWRENCE V, L.L.C.	5
K. HOVNIANIAN AT WINCHESTER, L.L.C.	5
K. HOVNIANIAN AT KING FARM, L.L.C.	5
K. HOVNIANIAN AT PRICE WILLIAM, L.L.C.	5
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.	5
K. HOVNIANIAN AT MENIFEE, L.L.C.	5
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.	5
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.	5
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.	5
K. HOVNIANIAN AT SOUTH BANK, L.L.C.	5
K. HOVNIANIAN AT DONINGUEZ HILLS, INC.	5
K. HOVNIANIAN AT LOWER SAUCON II, INC.	5
K. HOVNIANIAN AT SUMMERWOOD, INC.	5
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.	5
K. HOVNIANIAN AT BARRINGTON, INC.	5
(2)K. HOVNIANIAN PROPERTIES OF LAKE WORTH, INC.	6
(2)K. HOVNIANIAN PROPERTIES POMPAÑO BEACH, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF WALL TOWNSHIP VIII, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF FRANKLIN, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF HAMILTON, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK I, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK III, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK IV, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF NORTH CENTER DRIVE, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.	6
(2)K. HOVNIANIAN PROPERTIES OF ROUTE 35, INC.	6
K. HOVNIANIAN AT GUTTENBERG, L.L.C.	5
K. HOVNIANIAN AT CLIFTON, L.L.C.	5
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.	5
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.	5
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.	5
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.	5
K. HOVNIANIAN AT LINWOOD, L.L.C.	5

(1) Noted entities are shown by corrected names. These noted entities executed the Amended and Restated Credit Agreement using the incorrect names which are shown in parenthesis above. Each entity has executed and delivered a Joinder Agreement using their correct name.

(2) Notes entities were formerly Income Producing Property Subsidiaries whose type has changed to Operating Property Subsidiaries. Each such entity has submitted a Joinder Agreement to become a Guarantor of the Credit Facility.

## Type Codes:

- 1) The Borrower
- 2) A Finance Subsidiary
- 3) A Mortgage Subsidiary
- 4) An Income Producing Property Subsidiary
- 5) A Homebuilding Subsidiary
- 6) An Operating Property Subsidiary
- 7) Other Corporate Subsidiary
- 8) KHL, Inc.

REPLACEMENT SCHEDULE 9  
K. Hovnianian Enterprises, Inc.  
Revolving Credit Commitments of Banks

PNC Bank National Association Two Tower Center - 18th Floor East Brunswick, New Jersey 08816	\$50,000,000	18.87%	\$10,000,000	21.82%
Bank of America, NT & SA Commercial Real Estate Services 12th Floor, 231 South LaSalle Chicago, Illinois 60697	\$60,000,000	22.64%	N/A	21.82%
First Union National Bank FC7-200-1-22 CN 1 Pennington, New Jersey 08034	\$30,000,000	11.32%	N/A	10.91%
First National Bank of Chicago One First National Plaza Suite 0151 Chicago, Illinois 60670	\$25,000,000	9.43%	N/A	9.09%
First National Bank of Boston 115 Perimeter Center Place, N.E. Suite 500 Atlanta, Georgia 30346	\$25,000,000	9.43%	N/A	9.09%
Comerica Bank 500 Woodward Avenue Detroit, Michigan 48226	\$25,000,000	9.43%	N/A	9.09%
Credit Lyonnais 1301 Avenue of the Americas 18th Floor New York, New York 10019	\$25,000,000	9.43%	N/A	9.09%
Guaranty Federal Bank, F.S.B. 8333 Douglas Avenue Dallas, Texas 75225	\$25,000,000	9.43%	N/A	9.09%
	----- \$265,000,000		----- \$10,000,000	

The Revolving Credit Commitment Percentages and the Facility Percentages shown above are approximate figures. Each respective Bank's Revolving Credit Commitment Percentage shall be equal to such Bank's Revolving Credit Commitment divided by the aggregate amount of the Revolving Credit Commitments of all Banks. Each Bank's Facility Percentage shall be equal to such Bank's Facility Commitment divided by the aggregate amount of the Facility Commitments of all Banks.

BANK NAME	MAXIMUM AMOUNT OF LETTERS OF CREDIT
PNC Bank, National Association	\$20,000,000
Bank of America, National Trust and Savings Association	\$40,000,000
First Union National Bank	\$5,000,000
The First National Bank of Chicago	\$0
First National Bank of Boston	\$20,000,000
Comerica Bank	\$0
Credit Lyonnais	\$0
Guaranty Federal Bank, F.S.B.	\$0