

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10Q

(Mark One)

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

For quarterly period ended JANUARY 31, 2004 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)
No.)

22-1851059
(I.R.S. Employer
Identification

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 (X) No ()

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes (X) No ()

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 23,193,985 shares of Class A Common Stock and 7,348,344 shares of Class B Common Stock were outstanding as of March 2, 2004.

HOVNANIAN ENTERPRISES, INC.

FORM 10Q

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

ASSETS	January 31, 2004 ----- (unaudited)	October 31, 2003 -----
Homebuilding:		
Cash and cash equivalents.....	\$ 110,968	\$ 121,913
Inventories - At the lower of cost or fair value:		
Sold and unsold homes and lots under development.....	1,450,561	1,184,907
Land and land options held for future development or sale.....	292,532	270,502
Consolidated Inventory Not Owned:		
Specific performance options.....	29,969	56,082
Variable interest entities.....	211,514	100,327
Other options.....	38,723	48,226
Total Consolidated Inventory Not Owned.....	280,206	204,635
Total Inventories.....	2,023,299	1,660,044
Receivables, deposits, and notes.....	54,898	42,506
Property, plant, and equipment - net.....	28,438	26,263
Prepaid expenses and other assets.....	127,365	106,525
Goodwill and indefinite life intangibles.....	82,658	82,658
Definite life intangibles.....	85,353	56,978
Total Homebuilding.....	2,512,979	2,096,887
Financial Services:		
Cash and cash equivalents.....	10,420	6,308
Mortgage loans held for sale.....	121,973	224,052
Other assets.....	3,379	3,945
Total Financial Services.....	135,772	234,305
Income Taxes Receivable - Including deferred tax benefits.....		1,179
Total Assets.....	\$2,648,751 =====	\$2,332,371 =====

See notes to condensed consolidated financial statements (unaudited).

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

LIABILITIES AND STOCKHOLDERS' EQUITY	January 31, 2004	October 31, 2003
	(unaudited)	
Homebuilding:		
Nonrecourse land mortgages.....	\$ 47,741	\$ 43,795
Accounts payable and other liabilities.....	215,772	230,696
Customers' deposits.....	67,317	58,376
Liabilities from inventory not owned.....	59,941	94,780
	390,771	427,647
Financial Services:		
Accounts payable and other liabilities.....	4,313	5,917
Mortgage warehouse line of credit.....	106,990	166,711
	111,303	172,628
Notes Payable:		
Term loan.....	115,000	115,000
Senior notes.....	602,304	387,166
Senior subordinated notes.....	300,000	300,000
Accrued interest.....	20,314	15,675
	1,037,618	817,841
Income Taxes Payable - Net of deferred tax benefits.	9,826	
	1,549,518	1,418,116
Minority interest from inventory not owned.....	194,528	90,252
Minority interest from consolidated joint ventures..	5,781	4,291
Stockholders' Equity:		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value-authorized 200,000,000 shares; issued 28,297,576 shares at January 31, 2004 and 28,016,497 shares at October 31, 2003 (including 5,145,600 shares at January 31, 2004 and 5,390,218 shares at October 31, 2003 held in Treasury).....	283	280
Common Stock, Class B, \$.01 par value (convertible to Class A at time of sale)-authorized 30,000,000 shares; issued 7,695,477 shares at January 31, 2004 and 7,768,508 shares at October 31, 2003 (including 345,874 shares at January 31, 2004 and October 31, 2003 held in Treasury).....	77	78
Paid in Capital.....	182,699	163,712
Retained Earnings.....	762,893	705,182
Treasury Stock - at cost.....	(47,028)	(49,540)
	898,924	819,712
Total Liabilities and Stockholders' Equity.....	\$2,648,751	\$2,332,371

See notes to condensed consolidated financial statements (unaudited).

(In Thousands Except Per Share Data)
(unaudited)

	Three Months Ended January 31,	
	2004	2003
Revenues:		
Homebuilding:		
Sale of homes.....	\$ 757,273	\$ 607,501
Land sales and other revenues.....	3,169	9,639
	-----	-----
Total Homebuilding.....	760,442	617,140
Financial Services.....	14,773	10,495
	-----	-----
Total Revenues.....	775,215	627,635
	-----	-----
Expenses:		
Homebuilding:		
Cost of sales.....	563,935	463,178
Selling, general and administrative	71,793	54,301
Inventory impairment loss.....	58	158
	-----	-----
Total Homebuilding.....	635,786	517,637
Financial Services.....	8,027	5,821
Corporate General and Administrative.	14,524	14,584
Interest.....	16,943	13,679
Other Operations.....	2,432	4,278
Intangible Amortization.....	4,808	500
	-----	-----
Total Expenses.....	682,520	556,499
	-----	-----
Income Before Income Taxes.....	92,695	71,136
	-----	-----
State and Federal Income Taxes:		
State.....	6,240	3,100
Federal.....	28,744	23,275
	-----	-----
Total Taxes.....	34,984	26,375
	-----	-----
Net Income.....	\$ 57,711	\$ 44,761
	=====	=====
Per Share Data:		
Basic:		
Income per common share.....	\$ 1.85	\$ 1.43
Weighted average number of common shares outstanding.....	31,215	31,371
Assuming dilution:		
Income per common share.....	\$ 1.74	\$ 1.35
Weighted average number of common shares outstanding.....	33,235	33,080

See notes to condensed consolidated financial statements
(unaudited).

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

	Class A Common Stock		Class B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
	-----	-----	-----	-----	-----	-----	-----	-----
Balance, October 31, 2003.	22,626,279	\$280	7,422,634	\$78	\$163,712	\$705,182	\$(49,540)	\$819,712
Acquisitions.....	244,618	2			17,485		2,512	19,999
Sale of common stock under employee stock option plan.....	89,250				940			940

Stock bonus plan.....	91,472		27,326		562			562
Conversion of Class B to Class A Common Stock....	100,357	1	(100,357)	(1)				
Net Income.....						57,711		57,711
Balance, January 31, 2004 (unaudited)	23,151,976	\$283	7,349,603	\$77	\$182,699	\$762,893	\$(47,028)	\$898,924

See notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended January 31,	
	2004	2003
Cash Flows From Operating Activities:		
Net Income.....	\$ 57,711	\$ 44,761
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation.....	1,494	1,569
Intangible amortization.....	4,808	500
Loss on sale and retirement of property and assets.....	4	9
Deferred income taxes.....	(3,920)	(2,362)
Impairment losses.....	58	158
Decrease (increase) in assets:		
Mortgage notes receivable.....	102,171	41,878
Receivables, prepaids and other assets.....	(38,078)	(26,955)
Inventories.....	(260,030)	(69,723)
Increase (decrease) in liabilities:		
State and Federal income taxes.....	15,105	(3,787)
Tax effect from exercise of stock options....	(180)	(19)
Customers' deposits.....	3,941	1,692
Interest and other accrued liabilities.....	(17,692)	(12,041)
Post development completion costs.....	(2,009)	2,748
Accounts payable.....	8,840	(15,324)
Net cash (used in) operating activities.....	(127,777)	(36,896)
Cash Flows From Investing Activities:		
Net proceeds from sale of property and assets.....	245	35
Purchase of property, equipment and other fixed assets and acquisitions of homebuilding companies.....	(44,271)	(92,028)
Investment in and advances to unconsolidated affiliates.....	4,370	3,296
Net cash (used in) investing activities....	(39,656)	(88,697)
Cash Flows From Financing Activities:		
Proceeds from mortgages and notes.....	370,009	166,485
Proceeds from senior debt.....	215,000	
Principal payments on mortgages and notes.....	(425,909)	(215,088)
Proceeds from sale of stock and employee stock plans	1,500	(38)
Net cash provided (used in) by financing activities.....	160,600	(48,641)
Net (Decrease) In Cash.....	(6,833)	(174,234)
Cash and Cash Equivalents Balance, Beginning Of Period.....	128,221	269,990
Cash and Cash Equivalent Balance, End Of Period.....	\$ 121,388	\$ 95,756
Supplemental Disclosures of Cash Flow		
Cash paid during the period for:		
Interest.....	17,679	7,310
Income taxes.....	23,798	32,544

Supplemental disclosures of noncash operating activities:

Consolidated Inventory Not Owned:

Specific performance options.....	\$ 28,867	\$ 66,420
Variable interest entities.....	191,588	
Other options.....	33,964	64,183
	-----	-----
	\$254,419	\$130,603
	=====	=====

See notes to condensed consolidated financial statements (unaudited).

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

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. 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 consolidated financial position, results of operations, and changes in cash flows. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. The balance sheet at October 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Stock Option Plan - Stock Options - SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") establishes a fair value-based method of accounting for stock-based compensation plans, including stock options. Registrants may elect to continue accounting for stock option plans under APB Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"), but are required to provide pro forma net income and earnings per share information "as if" the new fair value approach had been adopted. We intend to continue accounting for our stock option plan under APB 25. Under APB 25, no compensation expense is recognized when the exercise price of our employee stock options equals the market price of the underlying stock on the date of grant.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS 123 to provide alternative methods of transition for an entity that voluntarily adopts the fair value recognition method of recording stock option expense. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, "Interim Financial Reporting" to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock options on reported net income and earnings per share in annual and interim financial statements.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Our pro forma information follows (dollars in thousands except for earnings per share information):

Three Months Ended

January January

	31, 2004	31, 2003
	-----	-----
Net income to common shareholders; as reported.....	\$ 57,711	\$ 44,761
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards.....	821	460
Pro forma net income.....	\$ 56,890	\$ 44,301
	=====	=====
Pro forma basic earnings per share...	\$ 1.82	\$ 1.41
	=====	=====
Basic earnings per share as reported..	\$ 1.85	\$ 1.43
	=====	=====
Pro forma diluted earnings per share..	\$ 1.71	\$ 1.34
	=====	=====
Diluted earnings per share as reported	\$ 1.74	\$ 1.35
	=====	=====

Pro forma information regarding net income and earnings per share is to be calculated as if we had accounted for our stock options under the fair value method of SFAS No. 123. The fair value for those options is established at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2004 and 2003: risk-free interest rate of 4.2% and 4.3%, respectively; dividend yield of zero; volatility factor of the expected market price of our common stock of 0.43 and 0.43, respectively; and a weighted-average expected life of the option of 5.0 and 5.1 years, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, management believes the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

On March 5, 2004 our Board of Directors authorized a 2 for 1 stock split on all shares of Hovnanian Enterprises, Inc. common stock effective March 19, 2004. The following proforma data for the three months ended January 31, 2004 and 2003 has been prepared to reflect such stock split.

	Three Months Ended January 31,	
	2004	2003
	-----	-----
Per Share Data:		
Basic:		
Income per common share.....	\$ 0.92	\$ 0.71
Weighted average number of common shares outstanding....	62,430	62,742
Assuming dilution:		
Income per common share.....	\$ 0.87	\$ 0.68
Weighted average number of common shares outstanding....	66,470	66,160

3. Interest costs incurred, expensed and capitalized were:

	Three Months Ended January 31,	
	2004	2003
	-----	-----
	(Dollars in Thousands)	
Interest Capitalized at Beginning of Period.....	\$ 24,833	\$ 22,159
Plus Interest Incurred(1)(2)	21,587	15,120
Less Interest Expensed(2)...	16,943	13,679
	-----	-----
Interest Capitalized at End of Period(2).....	\$ 29,477	\$ 23,600
	=====	=====

- (1) Data does not include interest incurred by our mortgage and finance subsidiaries.
- (2) Represents interest on borrowings for construction, and land and development costs which are charged to interest expense when homes are delivered or when land is not under active development.

4. Accumulated depreciation at January 31, 2004 and October 31, 2003 amounted to \$28.7 million and \$27.5 million, respectively, for our homebuilding and senior rental residential assets.

5. In accordance with Financial Accounting Standards No. 144 ("SFAS 144") "Accounting for the Impairment of or Disposal of Long Lived Assets", we record 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. In addition, from time to time, we will write off certain residential land options including approval and engineering costs for land management decided not to purchase. We wrote off such costs amounting to \$0.1 million and \$0.2 million during the three months ended January 31, 2004 and 2003, respectively. Residential inventory impairment losses and option write offs are reported in the Condensed Consolidated Statements of Income as "Homebuilding-Inventory Impairment Loss."

6. We provide a warranty accrual for repair costs over \$1,000 to homes, community amenities, and land development infrastructure. We accrue for warranty costs at the time each home is closed and title and possession have been transferred to the homebuyer as part of cost of sales. In addition we accrue warranty costs under our \$150,000 per occurrence general liability insurance deductible as part of selling, general and administrative costs. Warranty accruals are based upon historical experience. Charges in the warranty accrual and general liability accrual for the three months ended January 31, 2004 and 2003 are as follows:

	Three Months Ended January 31,	
	2004	2003
	(Dollars in Thousands)	
Balance, beginning of period.....	\$ 39,532	\$ 22,392
Company acquisitions.....	5	1,821
Additions.....	8,174	5,623
Charges incurred.....	(4,216)	(4,332)
Balance, end of period.....	\$ 43,495	\$ 25,504

7. We are involved in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on us.

8. As of January 31, 2004 and October 31, 2003, respectively, we are obligated under various performance letters of credit amounting to \$126.4 million and \$130.3 million.

9. We have an unsecured Revolving Credit Agreement ("Agreement") with a group of banks that provides a revolving credit line of \$590 million through July 2006. Interest is payable monthly and at various rates of either the prime rate plus 0.275% or LIBOR plus 1.75%. In addition, we pay a fee equal to 0.350% per annum on the weighted average unused portion of the line. Each of our significant subsidiaries, except for our financial services subsidiaries and joint ventures, are a guarantor under the revolving credit agreement. As of January 31, 2004 and October 31, 2003, there was no outstanding balance under the Agreement.

We have a secured mortgage loan warehouse agreement with a group of banks, which is a short-term borrowing, that provides up to \$200 million through July 2004. Interest is payable monthly at the Federal Funds Rate plus 1.375%. The loan is repaid when the underlying mortgage loans are sold to permanent investors by the Company. As of January 31, 2004 and October 31, 2003

borrowings under the agreement were \$107 million and \$166.7 million, respectively.

10. On November 3, 2003, we issued \$215 million 6 1/2% Senior Notes due 2014. The net proceeds of the issuance were used for general corporate purposes.

At January 31, 2004, our long term debt consisted of: \$140.3 million 10 1/2% Senior Notes due 2007, \$150 million 9 1/8% Senior Notes due 2009, \$100 million 8% Senior Notes due 2012, \$215 million 6 1/2% Senior Notes due 2014, (Senior Notes aggregate \$602.3 million, net of discount), \$150 million 8 7/8% Senior Subordinated Notes due 2012, \$150 million 7 3/4% Senior Subordinated Notes due 2013, and a \$165 million Term Loan due 2007 which bears interest at either the prime rate plus 1.25% or LIBOR plus 2.5%. As of January 31, 2004 borrowings under the Term Loan were \$115 million.

11. Per Share Calculations - Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock, of approximately 2,020,000 and 1,755,000 for the three months ended January 31, 2004 and 2003, respectively.

12. Variable Interest Entities - In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). A Variable Interest Entity ("VIE") is created when (i) the equity investment at risk is not sufficient to permit the entity from financing its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed to be a VIE, pursuant to FIN 46, an enterprise that absorbs a majority of the expected losses of the VIE is considered the primary beneficiary and must consolidate the VIE. FIN 46 is effective immediately for VIE's created after January 31, 2003. Pursuant to FASB revision to FIN 46, ("FSP 46-6"), a public entity need not apply the provisions of FIN 46 to an interest held in a variable interest entity or potential variable interest entity until the end of the first interim or annual period ending after March 15, 2004, if the VIE was created before February 1, 2003, and the public entity has not issued financial statements reporting that VIE in accordance with FIN 46. We have elected to defer the application of FIN 46 to our interests in potential variable interest entities created prior to February 1, 2003 pursuant to FSP 46-6.

Based on the provisions of FIN 46, we have concluded that whenever we option land or lots from an entity and pay a non-refundable deposit, a VIE is created under condition (ii) (b) and (c) of the previous paragraph. We have been deemed to have provided subordinated financial support, which refers to variable interests that will absorb some or all of an entity's expected theoretical losses if they occur. For each VIE created with a significant nonrefundable option fee, we will compute expected losses and residual returns based on the probability of future cash flows as outlined in FIN 46. If we are deemed to be the primary beneficiary of the VIE we will consolidate it on our balance sheet. The fair value of the VIE's inventory will be reported as "Consolidated Inventory Not Owned - Variable Interest Entities".

Management believes FIN 46 was not clearly thought out for application in the homebuilding industry for land and lot options. Under FIN 46, we can have an option and put down a small deposit as a percentage of the purchase and still have to consolidate the entity. Our exposure to loss as a result of our involvement with the VIE is only the deposit, not its total assets consolidated on the balance sheet. In certain cases we will have to place inventory on our balance sheet the VIE has optioned to other developers. In addition, if the VIE has creditors, it's debt will be placed on the balance sheet even though the creditors have no recourse against our Company. Based on these observations we believe consolidating VIE's based on land and lot option deposits does not reflect the economic

realities or risks of owning and developing land.

At January 31, 2004 we consolidated VIE's created from February 1, 2003 to January 31, 2004 as a result of our options to purchase land or lots from the selling entities. We paid cash or issued letters of credit deposits to these fifteen VIE's totaling \$19.9 million. Our option deposits represent our maximum exposure to loss. The fair value of the property owned by the VIE's was \$211.5 million of which \$6.2 million was not optioned to our Company. Because we could not get the remainder of the selling entities to provide us with any financial information, the fair value of the optioned property less our cash deposits and liabilities from inventory not owned, which totaled \$194.5 million, was reported on the balance sheet as "Minority interest from inventory not owned". Creditors of these VIE's have no recourse against our Company.

We will continue to secure land and lots using options. Not all our deposits are with VIE's. Including the deposits with the fifteen VIE's above, at January 31, 2004, we have total cash and letters of credit deposits amounting to approximately \$177.4 million to purchase land lots with a total purchase price of \$2.3 billion. The maximum exposure to loss is limited to the deposits although some deposits are refundable at our request or refundable if certain conditions are not met.

13. Recent Accounting Pronouncements - In December 2003, the Financial Accounting Standards Board ("FASB") issued a revision to FIN 46. The revision defers the effective date of implementing FIN 46 for variable interests credited prior to January 2003 and provides certain additional exceptions. While we are still assessing the revised timing requirements of fully implementing FIN 46, we now expect to apply the consolidation provisions to all of the Company's VIE's no later than April 30, 2004, unless further deferrals are issued.

14. On November 6, 2003 we acquired a homebuilder in Tampa, Florida for cash and 244,618 shares of our Class A Common Stock were issued. This acquisition was accounted for as a purchase, with the results of operations of this entity included in our consolidated financial statements as of the date of acquisition. In connection with the acquisition, we have definite life intangible assets equal to the excess purchase price over the fair value of the net assets estimated to be \$33 million. It is our policy to obtain appraisals of acquisition intangibles. We are awaiting the appraisal from this acquisition. Until the appraisal is received, we estimated the intangible value for amortization calculations. We expect to amortize the definite life intangibles over their estimated lives.

15. Intangible Assets - The intangible assets recorded on our balance sheet are goodwill, tradenames, architectural designs, distribution processes, and contractual agreements, with both definite and indefinite lives resulting from acquisitions. We no longer amortize goodwill or indefinite life intangibles, but instead assess them periodically for impairment. We are amortizing the definite life intangibles over their expected useful life, ranging from three to seven years.

16. Hovnanian Enterprises, Inc., the parent company (the "Parent"), is the issuer of publicly traded common stock. One of its wholly owned subsidiaries, K. Hovnanian Enterprises, Inc. (the "Subsidiary Issuer"), acts as a finance entity that as of January 31, 2004 had issued and outstanding approximately \$300 million Senior Subordinated Notes, \$602.3 million face value Senior Notes, a Term Loan with an outstanding balance of \$115 million, and a Revolving Credit Agreement with no outstanding balance. The Senior Subordinated Notes, Senior Notes, the Revolving Credit Agreement, and Term Loan are fully and unconditionally guaranteed by the Parent.

In addition to the Parent, each of the wholly-owned subsidiaries of the Parent other than the Subsidiary Issuer (collectively, the "Guarantor Subsidiaries"), with the exception of various subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, a mortgage lending subsidiary, a subsidiary engaged in homebuilding activity in Poland, our Title Insurance subsidiaries, and joint ventures (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 Senior Notes,

Senior Subordinated Notes, the Term Loan and the Revolving Credit Agreement.

In lieu of providing separate audited financial statements for the Guarantor Subsidiaries we have included the accompanying consolidated condensed financial statements. Management does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantor Subsidiaries are not presented.

The following consolidating condensed financial information presents 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
 JANUARY 31, 2004
 (Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Homebuilding.....	\$ (246)	\$ 137,210	\$ 2,346,170	\$ 29,845	\$	\$ 2,512,979
Financial Services.....			106	135,666		135,772
Income Taxes (Payable) Receivable	2,196	(1,240)	(441)	(515)		
Investments in and amounts due to and from consolidated subsidiaries.....	896,974	934,921	(1,180,927)	(15,490)	(635,478)	
Total Assets.....	\$898,924	\$1,070,891	\$1,164,908	\$ 149,506	\$(635,478)	\$2,648,751
LIABILITIES AND STOCKHOLDERS' EQUITY						
Homebuilding.....	\$	\$	\$ 389,097	\$ 1,674	\$	\$ 390,771
Financial Services.....				111,303		111,303
Notes Payable.....		1,036,262	(2,652)	4,008		1,037,618
Income Taxes Payable (Receivable).		(16)	9,842			9,826
Minority Interest.....			194,528	5,781		200,309
Stockholders' Equity.....	898,924	34,645	574,093	26,740	(635,478)	898,924
Total Liabilities and Stockholders' Equity.....	\$898,924	\$1,070,891	\$1,164,908	\$ 149,506	\$(635,478)	\$2,648,751

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 CONSOLIDATING CONDENSED BALANCE SHEET
 OCTOBER 31, 2003
 (Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Homebuilding.....	\$ (279)	\$ 151,050	\$ 1,910,484	\$ 35,632	\$	\$ 2,096,887
Financial Services.....			(252)	234,557		234,305
Income Taxes (Payable)Receivable...	18,713	(1,241)	(15,656)	(637)		1,179
Investments in and amounts due to and from consolidated subsidiaries.....	801,278	690,971	(851,398)	(56,837)	(584,014)	
Total Assets.....	\$819,712	\$ 840,780	\$1,043,178	\$ 212,715	\$(584,014)	\$2,332,371
Liabilities						
Homebuilding.....	\$	\$	\$ 425,847	\$ 1,800	\$	\$ 427,647
Financial Services.....			(35)	172,663		172,628

Net Income (Loss).....\$44,761 \$ 205 \$ 44,267 \$ 1,710 \$ (46,182) \$ 44,761
=====

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2004
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
Cash Flows From Operating Activities:						
Net Income.....	\$ 57,711	\$ 10,802	\$ 49,853	\$ 3,989	\$ (64,644)	\$ 57,711
Adjustments to reconcile net income to net cash provided by (used in) operating activities...	54,458	2,120	(407,690)	100,980	64,644	(185,488)
Net Cash Provided By (Used In) Operating Activities.....	112,169	12,922	(357,837)	104,969		(127,777)
Net Cash (Used In) Investing Activities.....	(18,985)		(20,571)	(100)		(39,656)
Net Cash Provided By(Used In) Financing Activities.....	2,512	215,000	2,895	(59,807)		160,600
Intercompany Investing and Financing Activities - Net.....	(95,696)	(243,950)	380,994	(41,348)		
Net Increase (Decrease) In Cash.....	15	(16,028)	5,481	3,714		(6,833)
Balance, Beginning of Period.....	15	135,846	(14,372)	6,732		128,221
Cash and Cash Equivalents Balance, End of Period.....	\$ 15	\$ 119,818	\$ (8,891)	\$ 10,446	\$	\$ 121,388

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2003
(Thousands of Dollars)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Elimin- ations	Consol- idated
Cash Flows From Operating Activities:						
Net Income.....	\$ 44,761	\$ 205	\$ 44,267	\$ 1,710	\$ (46,182)	\$ 44,761
Adjustments to reconcile net income to net cash provided by (used in) operating activities...	1,216	7,789	(185,915)	49,071	46,182	(81,657)
Net Cash Provided By (Used In) Operating Activities.....	45,977	7,994	(141,648)	50,781		(36,896)
Net Cash Provided by (Used In) Investing Activities.....	(48)	85	(88,732)	(2)		(88,697)
Net Cash Provided By(Used In) Financing Activities.....			(11,755)	(36,886)		(48,641)
Intercompany Investing and Financing Activities - Net.....	(45,933)	(172,285)	231,457	(13,239)		
Net Increase (Decrease) In Cash.....	(4)	(164,206)	(10,678)	654		(174,234)
Balance Beginning of Period.....	10	218,844	43,689	7,447		269,990
Cash and Cash Equivalents Balance, End of Period.....	\$ 6	\$ 54,638	\$ 33,011	\$ 8,101	\$	\$ 95,756

17. Subsequent Events - We have entered into an agreement to sell \$150 million aggregate principal amount of 6 3/8% Senior Notes due 2014. The offering is expected to close on March 18, 2004.

On March 5, 2004, the shareholders of Hovnanian Enterprises, Inc. approved an amendment to its amended Certificate of Incorporation, which provides that the total number of authorized shares of all classes of stock which Hovnanian Enterprises, Inc. shall have the authority to issue is 230,100,000, of which 200,000,000 shares shall be class A Common Stock having a par value of \$0.01 per share, 30,000,000 shares shall be Class B Common Stock having a par value of \$0.01 per share, and 100,000 shares shall be Preferred Stock having a par value of \$0.01 per share.

On March 5, 2004 our Board of Directors authorized a 2-for-1 stock split on all shares of Hovnanian Enterprises, Inc. common stock. The stock split will entitle all shareholders of record at the close of business on March 19, 2004 to receive one additional share of Class A Common Stock for every share of Class A Common Stock held on that date and one additional share of Class B Common Stock for every share of Class B Common Stock held on that date. The additional shares of Class A Common Stock and Class B Common Stock will be distributed to shareholders in the form of a stock dividend on March 26, 2004.

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

CRITICAL ACCOUNTING POLICIES

Management believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

Business Combinations - When we make an acquisition of another company, we use the purchase method of accounting in accordance with the Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations". Under SFAS No. 141 (for acquisitions subsequent to June 30, 2001) and APB 16 (for acquisitions prior to June 30, 2001) we record as our cost the estimated fair value of the acquired assets less liabilities assumed. Any difference between the cost of an acquired company and the sum of the fair values of tangible assets less liabilities is recorded as goodwill, indefinite or definite life intangibles. The reported income of an acquired company includes the operations of the acquired company from the date of acquisition.

Income Recognition from Home and Land Sales - Income from home and land sales are recorded when title is conveyed to the buyer, adequate cash payment has been received and there is no continued involvement.

Income Recognition from Mortgage Loans - Profits and losses relating to the sale of mortgage loans are recognized when legal control passes to the buyer and the sales price is collected.

Inventories - For inventories of communities under development, a loss is recorded when events and circumstances indicate impairment and the undiscounted future cash flows generated are less than the related carrying amounts. The impairment loss is based on discounted future cash flows generated from expected revenue, less cost to complete including interest, and selling costs. Inventories and long-lived assets held for sale are recorded at the lower of cost or fair value less selling costs. Fair value is defined as the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Construction costs are accumulated during the period of construction and charged to cost of sales under specific identification methods. Land, land development, and common facility costs are allocated based on buildable acres to product types within each community, then charged to cost of sales

equally based upon the number of homes to be constructed in each product type.

Insurance Deductible Reserves - Our deductible is \$150,000 per occurrence for worker's compensation and general liability insurance. Reserves have been established based upon actuarial analysis of estimated losses incurred during 2004 and 2003.

Interest - Costs related to properties under development are capitalized during the land development and home construction period and expensed along with the associated cost of sales as the related inventories are sold. Costs related to properties not under development are charged to interest expense.

Land Options - Costs are capitalized when incurred and either included as part of the purchase price when the land is acquired or charged to operations when we determine we will not exercise the option. In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46 ("FIN 46") "Consolidated of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51, SFAS No. 49 "Accounting for Product Financing Arrangements" ("SFAS 49"), SFAS No. 98 "Accounting for Leases" ("SFAS 98"), and Emerging Issues Task Force ("EITF") No. 97-10 "The Effects of Lessee Involvement in Asset Construction" ("EITF 07-10"), we record on the Consolidated Balance Sheet specific performance options, options with variable interest entities, and other options under Consolidated inventory not owned with the offset to Liabilities from inventory not owned, Minority interest from inventory not owned and Minority interest from consolidated joint ventures.

Intangible Assets - The intangible assets recorded on our balance sheet are goodwill, tradenames, architectural designs, distribution processes, and contractual agreements with both definite and indefinite lives resulting from company acquisitions. We no longer amortize goodwill or indefinite life intangibles, but instead assess them periodically for impairment. We are amortizing the definite life intangibles over their expected useful life, ranging from three to seven years.

Post Development Completion Costs - In those instances where a development is substantially completed and sold and we have additional construction work to be incurred, an estimated liability is provided to cover the cost of such work and is recorded in accounts payable and other liabilities in the consolidated balance sheets.

CAPITAL RESOURCES AND LIQUIDITY

Our operations consist primarily of residential housing development and sales in our Northeast Region (New Jersey, southern New York state, Pennsylvania, and Ohio), our Southeast Region (Washington D. C., Maryland, Virginia, West Virginia, North Carolina, South Carolina, and Florida), our Southwest Region (Texas and Arizona), and our West Region (California). In addition, we provide financial services to our homebuilding customers.

Our cash uses during the three months ended January 31, 2004 were for operating expenses, increases in housing inventories, construction, income taxes, interest, the paydown of our revolving credit facility, and the acquisition of a Florida homebuilder. We provided for our cash requirements from housing and land sales, the revolving credit facility, the issuance of \$215 million of Senior Notes, financial service revenues, and other revenues. We believe that these sources of cash are sufficient to finance our working capital requirements and other needs.

At January 31, 2004, there was no cash balance outstanding under our \$590 million revolving credit facility and we had approximately \$100 million of cash. At January 31, 2004 we had issued \$126.4 million of letters of credit which reduces cash available under our revolving credit facility.

On July 3, 2001, our Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of January 31, 2004, 903,938 shares of Class A Common Stock have been purchased under this program of which zero were repurchased during the three months ended January 31, 2004.

In addition in 2003, we retired at no cost 0.8 million shares that were held by a seller of a previous acquisition.

Our homebuilding bank borrowings are made pursuant to an amended and restated unsecured revolving credit agreement (the "Agreement") that provides a revolving credit line and letter of credit line of \$590 million through July 2006. Interest is payable monthly and at various rates of either the prime rate plus 0.275% or LIBOR plus 1.75%. We believe that we will be able either to extend the Agreement beyond July 2006 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. We currently are in compliance and intend to maintain compliance with the covenants under the Agreement. Each of our significant subsidiaries, except for our financial services subsidiaries and joint ventures, is a guarantor under the revolving credit agreement. As of January 31, 2004, there were no borrowings under the Agreement.

At January 31, 2004 we had \$605.3 million of outstanding senior debt (\$602.3 million, net of discount), comprised of \$140.3 million 10 1/2% Senior Notes due 2007, \$150 million 9 1/8% Senior Notes due 2009, \$100 million 8% Senior Notes due 2012 and \$215 million 6 1/2% Senior Notes due 2014. At January 31, 2004, we had outstanding senior subordinated debt comprised of \$150 million 8 7/8% Senior Subordinated Notes due 2012, and \$150 million 7 3/4% Senior Subordinated Notes due 2013. Each of our significant subsidiaries, except for our financial services subsidiaries and joint ventures, is a guarantor under the Senior Notes and Senior Subordinated Notes.

On January 22, 2002 we executed a \$165 million five-year Term Loan. The Term Loan matures in January 2007, and bears interest at either the prime rate plus 1.25% or LIBOR plus 2.5%. Each of our significant subsidiaries, except for our financial services subsidiaries and joint ventures, is a guarantor under the Term Loan. At January 31, 2004 borrowings under the Term Loan were \$115 million.

Our mortgage banking subsidiary's warehousing agreement was amended and restated on July 31, 2003. Pursuant to the agreement, we may borrow up to \$200 million. The agreement expires July 2004 and interest is payable monthly at the Federal Funds Rate plus 1.375%. We believe that we will be able either to extend this agreement beyond July 2004 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. As of January 31, 2004, the aggregate principal amount of all borrowings under this agreement was \$107 million.

Total inventory increased \$287.7 million during the three months ended January 31, 2004. This increase excluded the change in Consolidated Inventory Not Owned of \$75.6 million consisting of specific performance options, options with variable interest entities, and other options that were added to our balance sheet in accordance with SFAS 49, SFAS 98, and EITF 97-10, and Variable Interest Entities in accordance with FIN 46. See "Notes to Consolidated Financial Statements - Note 12 for additional explanation on FIN 46. Excluding the impact from our acquisition of \$34.5 million, total inventory in our Northeast Region increased \$88.2 million, the Southeast Region increased \$47.7 million, the Southwest Region increased \$19.8 million, and our West Region increased \$97.5 million. The increase in inventory was primarily the result of future planned organic growth in all of our existing markets. Substantially all homes under construction or completed and included in inventory at January 31, 2004 are expected to be closed during the next twelve months. Most inventory completed or under development is financed through our line of credit, term loan, and senior and senior subordinated indebtedness.

We usually option property for development prior to acquisition. By optioning property, we are only subject to the loss of the cost of the option and predevelopment costs if we choose not to exercise the option. As a result, our commitment for major land acquisitions is reduced.

The following table summarizes the number of buildable homes included in our residential real estate. The January 31, 2004 and October 31, 2003 numbers exclude real estate owned and

options in locations in which we have ceased development.

	Active Communities	Active Communities' Homes	Proposed Developable Homes	Grand Total
January 31, 2004:				
Northeast Region..	35	8,164	17,055	25,219
Southeast Region..	119	11,893	13,676	25,569
Southwest Region..	91	8,731	4,435	13,166
West Region.....	43	8,012	7,768	15,780
	288	36,800	42,934	79,734
Owned.....		18,860	5,257	24,117
Optioned.....		17,940	37,677	55,617
Total.....		36,800	42,934	79,734

	Active Communities	Active Communities' Homes	Proposed Developable Homes	Grand Total
October 31, 2003:				
Northeast Region..	32	8,536	15,744	24,280
Southeast Region..	107	10,163	12,345	22,508
Southwest Region..	81	7,127	6,813	13,940
West Region.....	37	7,359	6,211	13,570
	257	33,185	41,113	74,298
Owned.....		16,111	5,359	21,470
Optioned.....		17,074	35,754	52,828
Total.....		33,185	44,113	74,298

Homes in active communities under contract at January 31, 2004 and October 31, 2003 were 5,764 and 5,020, respectively. Such amounts do not include our build on your own lot contracts or contracts from our unconsolidated joint ventures.

The following table summarizes our started or completed unsold homes and models:

	January 31, 2004			October 31, 2003		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	176	54	230	130	44	174
Southeast Region....	238	46	284	207	32	239
Southwest Region....	599	99	698	557	94	651
West Region.....	177	111	288	185	105	290
Total	1,190	310	1,500	1,079	275	1,354

Receivables, deposits, and notes increased \$12.4 million to \$54.9 million at January 31, 2004. The increase was primarily due to the timing of cash received from homes that closed on January 31, 2004. Receivables from home sales amounted to \$18.4 million and \$4.1 million at January 31, 2004 and October 31, 2003, respectively.

Prepaid expenses and other assets increased \$20.8 million to \$127.4 million at January 31, 2004. The increase was primarily due to increases in prepaid insurance and prepaid project costs amounting to \$11.7 million and \$6.4 million, respectively. We pay a full year of insurance costs every first quarter and amortize those costs monthly on a straight-line basis. At January 31, 2004, we have \$11.5 million of prepaid insurance costs. Prepaid project costs consist of community specific expenditures that are used over the life of the community. Such prepaids are expensed as homes are delivered. At January 31,

2004, we have \$40.6 million of prepaid project costs. Prepaid expenses and other assets also include our investment in joint ventures. We have entered into a few joint ventures with independent third parties to develop and sell land or to develop land and build and sell homes. At January 31, 2004 we have invested \$18.9 million in joint ventures. Other than completion guarantees, no other guarantees associated with unconsolidated joint ventures have been given. Also included in prepaid expenses and other assets are debt issuance fees, non-qualified associate benefit plan assets, senior rental residential assets, and miscellaneous prepaids and assets which amounted to \$56.4 million.

Intangibles increased \$28.4 million to \$168 million at January 31, 2004. This increase was the result of our November 6, 2003 Florida acquisition and is net of amortization expense. \$82.7 million are categorized as goodwill and indefinite life intangibles. This amount resulted from company acquisitions prior to fiscal 2003. \$85.4 million are categorized as definite life intangibles resulting from acquisitions made in fiscal 2003 and 2004. To the extent the acquisition price was greater than the book value of tangible assets which were stepped up to fair values, purchase price premiums are classified as intangibles. Professionals are hired to appraise all acquired intangibles. Such appraisals resulted in all fiscal 2003 acquisition premiums to be categorized as definite life intangibles. The intangibles from our fiscal 2004 acquisition are estimated, as we await the final appraisal. See the "Critical Accounting Policies" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional explanation of intangibles. For tax purposes all our intangibles, except those resulting from an acquisition classified as a tax free exchange, are being amortized over 15 years.

Accounts payable and other liabilities decreased \$14.9 million to \$215.8 million. The decrease was primarily the result of fiscal 2003 accrued compensation payments made amounting to \$30.4 million offset by increases in accounts payable, accrued expenses and reserves amounting to \$10.3 million, \$3 million and \$2.2 million, respectively, during the three months ended January 31, 2004. Accounts payable and other liabilities consist primarily of accounts payable, accrued expenses, accrued compensation and reserves, which amounted to \$79.2 million, \$51.7 million, \$36 million, and \$48.9 million, respectively, at January 31, 2004. The majority of the reserves consist of a warranty accrual for home repair costs exceeding \$1,000, and for community amenities and land development infrastructure repair. We accrue for warranty costs at the time each home is closed and title and possession have been transferred to the homebuyer as part of cost of sales. In addition, we accrue for warranty costs under our \$150,000 per occurrence general liability insurance deductibles as part of selling, general, and administration. Warranty accruals are based upon historical experience. At January 31, 2004 and October 31, 2003, the warranty and general liability accruals amounted to \$43.5 million and \$39.5 million, respectively.

Financial Services - Mortgage loans held for sale consist of residential mortgages receivable of which \$121.9 million and \$223.9 million at January 31, 2004 and October 31, 2003, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of mortgage loans held for sale are being held as an investment. We 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, we have incurred minimal credit losses.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JANUARY 31, 2004
 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2003

Total Revenues:

Compared to the same prior period, revenues increased as follows:

Three Months Ended			
-----	-----	-----	-----
January	January	Dollar	Percentage

	31, 2004	31, 2003	Change	Change
	-----	-----	-----	-----
	(Dollars in Thousands)			
Homebuilding:				
Sale of homes.....	\$757,273	\$607,501	\$149,772	24.7%
Land sales and other				
revenues.....	3,169	9,639	(6,470)	(67.1%)
Financial services.....	14,773	10,495	4,278	40.8%
	-----	-----	-----	-----
Total Revenues.....	\$775,215	\$627,635	\$147,580	23.5%
	=====	=====	=====	=====

Homebuilding:

Compared to the same prior period, housing revenues increased \$149.8 million or 24.7% during the three months ended January 31, 2004. Housing revenues are recorded at the time when title is conveyed to the buyer, adequate cash payment has been received, and there is no continued involvement.

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

	Three Months Ended	
	January 31,	
	-----	-----
	2004	2003
	-----	-----
	(Dollars in Thousands)	
Northeast Region:(1)		
Housing Revenues.....	\$191,908	\$136,763
Homes Delivered.....	640	431
Southeast Region:(2)		
Housing Revenues.....	\$191,062	\$158,120
Homes Delivered.....	787	623
Southwest Region:(3)		
Housing Revenues.....	\$127,814	\$ 72,662
Homes Delivered.....	724	359
West Region:		
Housing Revenues.....	\$246,489	\$238,695
Homes Delivered.....	750	863
Other:		
Housing Revenues.....	\$ -	\$ 1,261
Homes Delivered.....	-	9
Consolidated Total:		
Housing Revenues.....	\$757,273	\$607,501
Homes Delivered.....	2,901	2,285
Unconsolidated Joint		
Ventures:		
Housing Revenues.....	\$ 2,826	\$ 1,996
Homes Delivered.....	10	10
Total:		
Housing Revenues.....	\$760,099	\$609,497
Homes Delivered.....	2,911	2,295

- (1) January 31, 2004 includes deliveries from our Ohio acquisition which closed on April 1, 2003.
- (2) January 31, 2004 includes deliveries from our Florida acquisition which closed November 1, 2003.
- (3) January 31, 2004 includes a full quarter of deliveries from one of our Texas acquisition which closed January 2003 and deliveries from our Arizona acquisition which closed on August 13, 2003.

The increase in housing revenues was primarily due to our acquisitions and home price increases in our Northeast Region, Southeast Region and West Region.

An important indicator of our future results are recently signed contracts and our home contract backlog for future deliveries. Our sales contracts and homes in contract backlog using base sales prices by market area are set forth below:

	Sales Contracts for the Three Months Ended January 31,		Contract Backlog as of January 31,	
	2004	2003	2004	2003
(Dollars in Thousands)				
Northeast Region:				
Dollars.....	\$203,484	\$115,447	\$ 611,901	\$ 410,793
Homes.....	631	368	2,190	1,334
Southeast Region:				
Dollars.....	\$241,067	\$149,037	\$ 650,934	\$ 322,578
Homes.....	867	586	2,303	1,184
Southwest Region:				
Dollars.....	\$121,177	\$ 68,927	\$ 153,397	\$ 89,888
Homes.....	723	353	988	433
West Region:				
Dollars.....	\$299,020	\$233,616	\$ 326,848	\$ 270,835
Homes.....	912	832	955	924
Other:				
Dollars.....	\$ --	\$ 313	\$ --	\$ --
Homes.....	--	2	--	--
Consolidated Total:				
Dollars.....	\$864,748	\$567,340	\$1,743,080	\$1,094,094
Homes.....	3,133	2,141	6,436	3,875
Unconsolidated Joint Ventures:				
Dollars.....	\$ 50,991	\$ 1,489	\$ 64,043	\$ 4,134
Homes.....	92	7	118	20
Totals:				
Dollars.....	\$915,739	\$568,829	\$1,807,123	\$1,098,228
Homes.....	3,225	2,148	6,554	3,895

In the month of February 2004 we signed an additional 1,609 net contracts amounting to \$452.7 million in consolidated communities and 64 net contracts amounting to \$32.9 million in unconsolidated joint ventures. The February 2004 contracts along with our contract backlog at January 31, 2004 and deliveries for the three months ended January 31, 2004 amount to approximately 75.5% of our projected deliveries for fiscal 2004.

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 January 31,	
	2004	2003
(Dollars in Thousands)		
Sale of Homes.....	\$757,273	\$607,501
Cost of Sales.....	562,900	457,526
Housing Gross Margin.....	\$194,373	\$149,975
Gross Margin Percentage.....	25.7%	24.7%

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

	Three Months Ended January 31,	
	2004	2003
Sale of Homes.....	100.0%	100.0%
Cost of Sales:		
Housing, land & development costs....	66.2	67.8%

Commissions.....	2.2	2.1%
Financing concessions..	1.0	0.9%
Overheads.....	4.9	4.5%
	-----	-----
Total Cost of Sales.....	74.3%	75.3%
	-----	-----
Gross Margin.....	25.7%	24.7%
	=====	=====

We sell a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the geographic mix of deliveries and the mix of both communities and of home types delivered, consolidated quarterly gross margin will fluctuate up or down and may not be representative of the consolidated gross margin for the year. We achieved higher gross margins during the three months ended January 31, 2004 compared to the same period last year. The consolidated gross margin increased 1.0% for the three months ended January 31, 2004. The margin increase was due primarily to increases in average sales prices, our mix of communities, and the effects from some of the processing improvements that we have been implementing.

Selling, general, and administrative expenses as a percentage of homebuilding revenues, increased to 9.4% for the three months ended January 31, 2004 from 8.8% for the prior year's three months. Such expenses increased \$17.5 million during the three months ended January 31, 2004 compared to the same period last year. The increased percentage was primarily due to increased selling, general and administrative costs due to the increase in the number of active selling communities and anticipated business expansion in our Northeast Region and West Region.

Land Sales and Other Revenues:

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

	Three Months Ended January 31,	
	2004	2003
	-----	-----
Land and Lot Sales.....	\$ 1,139	\$8,452
Cost of Sales.....	1,035	5,652
	-----	-----
Land and Lot Sales Gross Margin...	\$ 104	2,800
Interest Expense.....	10	344
	-----	-----
Land and Lot Sales Profit Before Tax.....	\$ 94	\$2,456
	=====	=====

Land and lot sales are incidental to our 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 our homebuyers, selling such mortgages in the secondary market, and title insurance activities. For the three months ended January 31, 2004 financial services provided a \$6.7 million profit before taxes compared to a profit of \$4.7 million in 2003. This increase is primarily due to reduced costs, increased mortgage loan amounts, and the addition of a mortgage operations from our acquisitions.

Corporate General and Administrative:

Corporate general and administrative expenses include the operations at our headquarters in Red Bank, New Jersey. Such expenses include our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, construction services, and administration of insurance, quality, and safety. As a

percentage of total revenues such expenses decreased to 1.9% for the three months ended January 31, 2004 from 2.3% for the corresponding prior year's three months. The percentage decrease is primarily attributed to the increase in housing revenues.

Interest:

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

	Three Months Ended January 31,	
	2004	2003
Sale of Homes.....	\$ 16,933	\$13,335
Land and Lot Sales.....	10	344
Total.....	\$ 16,943	\$13,679
	=====	=====

Housing interest as a percentage of sale of homes revenues for the three months ended January 31, 2004 and 2003 was 2.2%. Housing interest as a percentage of sale of homes remained flat due to our efforts to maintain leverage at a 50% net debt to capital level and interest rates remaining relatively flat over the last year.

Other Operations:

Other operations consist primarily of miscellaneous residential housing operations expenses, senior rental residential property operations, amortization of senior and senior subordinated note issuance expenses, earnout payments from homebuilding company acquisitions, amortization of the consultant agreements and the right of first refusal agreement from our California acquisition in fiscal 2002, minority interest relating to joint ventures, and corporate owned life insurance.

Recent Accounting Pronouncements:

In December 2003, the Financial Accounting Standards Board ("FASB") issued a revision to the Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). The revision defers the effective date of implementing FIN 46 for variable interests created prior to January 2003 and provides certain additional exceptions. While we are still assessing the revised timing requirements of fully implementing FIN 46, we now expect to apply the consolidation provisions to all of the Company's VIE's no later than April 30, 2004, unless further deferrals are issued.

Total Taxes:

Total taxes as a percentage of income before taxes amounted to approximately 37.7% and 37.1% for the three months ended January 31, 2004 and 2003, respectively. The increased effective rate is due primarily to an increase in 2004 in state income taxes and the reduced effect permanent book to tax differences have on the rate as profits increase. 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 as an offset against future taxable income. If for some reason the combination of future years income (or loss) combined with the reversal of the timing differences results in a loss, such losses can be carried back to prior years to recover the deferred tax assets. As a result, management is confident such deferred tax assets are recoverable regardless of future income.

Inflation:

Inflation has a long-term effect on us because increasing costs of land, materials, and labor result in increasing sale prices of our homes. In general, 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 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 our homes sell, we have not found this risk to be a significant problem.

Inflation has a lesser short-term effect on us because we generally negotiate fixed price contracts with 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 twelve months. Construction costs for residential buildings represent approximately 56% of our homebuilding cost of sales.

Mergers and Acquisitions:

On November 6, 2003, we acquired a Florida homebuilder for cash and 244,618 shares of our Class A Common Stock were issued. On November 1, 2002 and December 31, 2002 we acquired two Texas homebuilding companies for cash.

Safe Harbor Statement

All statements in this Form 10-Q that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the Private Securities Litigation 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. 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. Such risks, uncertainties and other factors include, but are not limited to:

- . Changes in general and local economic and business conditions;
- . Weather conditions;
- . Changes in market conditions;
- . Changes in home prices and sales activity in California, New Jersey, Texas, North Carolina, Virginia, and Maryland markets;
- . Government regulation, including regulations concerning development of land, the homebuilding process, and the environment;
- . Fluctuations in interest rates and the availability of mortgage financing;
- . Shortages in and price fluctuations of raw materials and labor;
- . The availability and cost of suitable land and improved lots;
- . Levels of competition;
- . Availability of financing to the Company;
- . Utility shortages and outages or rate fluctuations; and
- . Geopolitical risks, terrorist acts and other acts of war.

Certain risks, uncertainties, and other factors are described in detail in Item 1 and 2 "Business and Properties" in our Form 10-K for the year ended October 31, 2003.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary market risk facing us is interest rate risk on our long term debt. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse line of credit are subject to interest rate risk; however, such obligations repriced frequently and are short-term in duration. In addition, we hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the risk from mortgage loans is not material. We do not hedge interest rate risk other than on mortgage loans using financial instruments. We are also subject to foreign currency risk but this risk is not material. The following table sets forth as of January 31, 2004, our long term

debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated fair market value ("FMV").

As of January 31, 2004									

Expected Maturity Rate									

	2004	2005	2006	2007	2008	2009	Thereafter	Total	FMV @ 1/31/04

(Dollars in Thousands)									
Long Term Debt(1):									
Fixed Rate.....	\$47,816	\$ 81	\$ 88	\$140,346	\$ 104	\$150,112	\$615,115	\$953,662	\$1,016,726
Average interest rate.....	6.45%	8.38%	8.38%	10.50%	8.38%	9.12%	7.63%	8.23%	--
Variable rate...	--	--	--	\$115,000	--	--	--	\$115,000	\$ 115,000
Average interest rate.....	--	--	--	(2)	--	--	--	--	--

(1) Does not include bonds collateralized by mortgages receivable.

(2) LIBOR plus 2.5%

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 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission'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 January 31, 2004. 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.

In addition, there was no change in the Company's internal control over financial reporting that occurred during the quarter ended January 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a)

Exhibit 3(a) Certificate of Incorporation of the Registrant. (1)

Exhibit 3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant. (2)

Exhibit 3(c) Certificate of Amendment of Certificate of Incorporation of the Registrant (filed herewith).

Exhibit 3(d) Restated Bylaws of the Registrant.

(3)

Exhibit 4(a) Indenture dated as of November 3, 2003, relating to 6 1/2% Senior Notes, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc. and

Wachovia Bank, National Association, as Trustee,
as
supplemented by the First Supplemental Indenture
dated
as of November 3, 2003 among K. Hovnanian
Enterprises,
Inc., Hovnanian Enterprises, Inc., the other
Guarantors
named therein and Wachovia Bank, National
Association, as
Trustee, including form of 6 1/2% Senior Notes due
January 15, 2014.(4)

Exhibit 31(a) Rule 13a-14(a)/15d-14(a)
Certification of Chief Executive Officer.

Exhibit 31(b) Rule 13a-14(a)/15d-14(a)
Certification of Chief Financial Officer

Exhibit 32(a) Certification of Chief Executive
Officer
pursuant to 18 U.S.C. Section 1350, as adopted
pursuant
to Section 906 of the Sarbanes-Oxley Act of
2002.

Exhibit 32(b) Certification of Chief Financial
Officer
pursuant to 18 U.S.C. Section 1350, as adopted
pursuant
to Section 906 of the Sarbanes-Oxley Act of
2002.

- (1) Incorporated by reference to Exhibits to
Registration Statement (No. 2-85198) on
Form S-1 of the Registrant.
- (2) Incorporated by reference to Registration
Statement (No. 333-106761) on Form S-3
of the Registrant.
- (3) Incorporated by reference to Exhibits to
Registration Statement (No. 1-08551) on
Form 8-A of the Registrant.
- (4) Incorporated by reference to Exhibits to Current
Report on Form 8-K filed on November 7, 2003

Item 6(b). The following reports have been filed during
quarter ended January 31, 2004:

(i) On November 7, 2003, the Company filed a report on Form 8-
K, Items 5 and 7, relating to issuance and sale in an
underwritten public offering of \$215,000,000 in aggregate
principal amount of 6 1/2% Senior Notes due 2014 of K. Hovnanian
Enterprises, Inc., guaranteed by the Company and certain of the
Company's subsidiaries.

(ii) On November 3, 2003, the Company filed a report on Form
8-K, Items 5 and 7, relating to the issuance and sale in an
underwritten public offering of \$215,000,000 in aggregate
principal amount of 6 1/2% Senior Notes due 2014 of K. Hovnanian
Enterprises, Inc., guaranteed by the Company and certain of the
Company's subsidiaries.

The following reports have been furnished during the quarter
ended January 31, 2004:

(i) On December 8, 2003, the Company furnished a report on
Form 8-K, Items 7 and 12, relating the Company's press release
dated December 8, 2003 relating to its preliminary financial
results for the fourth quarter ended October 31, 2003.

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: March 16, 2004

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

DATE: March 16, 2004

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

CERTIFICATIONS
Exhibit 31(a)

I, Ara K. Hovnanian, President & Chief Executive Officer of Hovnanian Enterprises, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hovnanian Enterprises, Inc.;
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(s) 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)) 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) 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
 - (c) 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 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(s) 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: March 16, 2004

/S/ARA K. HOVNANIAN

CERTIFICATIONS
Exhibit 31(b)

I, J. Larry Sorsby, Executive Vice President & Chief Financial Officer of Hovnanian Enterprises, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hovnanian Enterprises, Inc.;
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(s) 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)) 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) 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

(c) 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 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(s) 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: March 16, 2004

/S/J. LARRY SORSBY
J. Larry Sorsby
Executive Vice President and Chief Financial Officer

Exhibit 32(a)

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 Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2004 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: March 16, 2004

/s/ARA K. HOVNANIAN
Ara K. Hovnanian
President and Chief Executive Officer

Exhibit 32(b)

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 Annual Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Larry Sorsby, Executive Vice President and Chief Financial 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: March 16, 2004

/S/J. LARRY SORSBY
J. Larry Sorsby
Executive Vice President and Chief Financial Officer

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CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION
OF
HOVNIANIAN ENTERPRISES, INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is Hovnianian Enterprises, Inc.

2. The Certificate of Incorporation of the Corporation is hereby amended by deleting the first paragraph of paragraph FOURTH thereof in its entirety and substituting in lieu thereof the following new first paragraph:

FOURTH: The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 230,100,000, of which 200,000,000 shares shall be Class A Common Stock having a par value of one cent (\$0.01) per share, 30,000,000 shares shall be Class B Common Stock having a par value of one cent (\$0.01) per share, 30,000,000 shares shall be Class B Common Stock having a par value of one cent (\$0.01) per share and 100,000 shares shall be Preferred Stock having a par value of one cent (\$0.01) per share.

3. The amendment of the Certificate of Incorporation of the Corporation herein certified was duly adopted, pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware, by the Board of Directors of the Corporation on December 15, 2003.

4. The amendment of the Certificate of Incorporation of the Corporation herein certified was duly adopted, pursuant to the provisions of Section 242 of the General Corporation Law of the State of Delaware, by the stockholders of the Corporation on March 5, 2004.

Signed on March 10, 2004

/S/PETER S. REINHART
Name: Peter S. Reinhart
Title: Senior Vice President
and General Counsel