

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

(Mark One)

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

For the quarterly period ended July 31, 2024

OR

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

Commission file number 1-8551

Hovnanian Enterprises, Inc. (Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 5,325,330 shares of Class A Common Stock and 729,403 shares of Class B Common Stock were outstanding as of August 27, 2024.

HOVNANIAN ENTERPRISES, INC.

FORM 10-Q

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

	July 31, 2024	October 31, 2023
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$ 122,036	\$ 434,119
Restricted cash and cash equivalents	9,615	8,431
Inventories:		
Sold and unsold homes and lots under development	1,267,477	998,841
Land and land options held for future development or sale	166,552	125,587
Consolidated inventory not owned	216,441	224,758
Total inventories	1,650,470	1,349,186
Investments in and advances to unconsolidated joint ventures	126,318	97,886
Receivables, deposits and notes, net	48,067	27,982
Property and equipment, net	41,219	33,946
Prepaid expenses and other assets	78,506	69,886
Total homebuilding	2,076,231	2,021,436
Financial services	206,365	168,671
Deferred tax assets, net	257,909	302,833
Total assets	\$ 2,540,505	\$ 2,492,940
LIABILITIES AND EQUITY		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$ 115,357	\$ 91,539
Accounts payable and other liabilities	419,836	415,480
Customers' deposits	48,791	51,419
Liabilities from inventory not owned, net of debt issuance costs	135,559	124,254
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	898,749	1,051,491
Accrued interest	32,799	26,926
Total homebuilding	1,651,091	1,761,109
Financial services	186,030	148,181
Income taxes payable	-	1,861
Total liabilities	1,837,121	1,911,151
Equity:		
Hovnanian Enterprises, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at July 31, 2024 and October 31, 2023	135,299	135,299
Common stock, Class A, \$0.01 par value - authorized 16,000,000 shares; issued 6,410,759 shares at July 31, 2024 and 6,247,308 shares at October 31, 2023	64	62
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) - authorized 2,400,000 shares; issued 757,072 shares at July 31, 2024 and 776,750 shares at October 31, 2023	8	8
Paid in capital - common stock	744,479	735,946
Accumulated deficit	(17,545)	(157,197)
Treasury stock - at cost - 1,090,179 shares of Class A common stock at July 31, 2024 and 901,379 shares at October 31, 2023; 27,669 shares of Class B common stock at July 31, 2024 and October 31, 2023	(158,921)	(132,382)
Total Hovnanian Enterprises, Inc. stockholders' equity	703,384	581,736
Noncontrolling interest in consolidated joint ventures	-	53
Total equity	703,384	581,789
Total liabilities and equity	\$ 2,540,505	\$ 2,492,940

See notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Revenues:				
Homebuilding:				
Sale of homes	\$ 687,424	\$ 630,371	\$ 1,947,989	\$ 1,800,724
Land sales and other revenues	16,392	4,937	25,968	27,244
Total homebuilding	703,816	635,308	1,973,957	1,827,968
Financial services	18,888	14,649	51,323	41,016
Total revenues	722,704	649,957	2,025,280	1,868,984
Expenses:				
Homebuilding:				
Cost of sales, excluding interest	547,332	483,990	1,528,047	1,415,652
Cost of sales interest	22,316	19,272	63,757	55,719
Inventory impairments and land option write-offs	3,099	308	3,638	922
Total cost of sales	572,747	503,570	1,595,442	1,472,293
Selling, general and administrative	50,989	47,716	146,415	146,090
Total homebuilding expenses	623,736	551,286	1,741,857	1,618,383
Financial services	12,362	10,345	35,856	29,550
Corporate general and administrative	38,480	27,365	108,130	77,934
Other interest	6,262	13,502	25,682	43,096
Other (income) expense, net (1)	(44,707)	(18,612)	(47,284)	(17,652)
Total expenses	636,133	583,886	1,864,241	1,751,311
(Loss) gain on extinguishment of debt, net	-	(4,082)	1,371	(4,082)
Income from unconsolidated joint ventures	10,698	8,401	36,814	20,969
Income before income taxes	97,269	70,390	199,224	134,560
State and federal income tax provision (benefit):				
State	5,896	(500)	13,333	2,794
Federal	18,454	15,126	38,232	23,140
Total income taxes	24,350	14,626	51,565	25,934
Net income	72,919	55,764	147,659	108,626
Less: preferred stock dividends	2,669	2,669	8,007	8,007
Net income available to common stockholders	\$ 70,250	\$ 53,095	\$ 139,652	\$ 100,619
Per share data:				
Basic:				
Net income per common share	\$ 10.61	\$ 7.92	\$ 20.85	\$ 14.97
Weighted-average number of common shares outstanding	6,474	6,249	6,476	6,201
Assuming dilution:				
Net income per common share	\$ 9.75	\$ 7.38	\$ 19.15	\$ 13.97
Weighted-average number of common shares outstanding	7,048	6,705	7,048	6,642

(1) Includes gain on consolidation of a joint venture of \$45.7 million and \$19.1 million for the three and nine months ended July 31, 2024 and 2023, respectively (see Note 18).

See notes to condensed consolidated financial statements (unaudited).

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

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

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTH PERIOD ENDED JULY 31, 2023
(In thousands, except share data)
(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Accumulated Deficit	Treasury Stock	Noncontrolling Interest	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2022	5,376,985	\$ 62	705,705	\$ 7	5,600	\$ 135,299	\$ 727,663	\$ (352,413)	\$ (127,582)	\$ 15	\$ 383,051
Stock options, amortization and issuances	209						8				8
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures	18,051		14,620				1,487				1,487
Changes in noncontrolling interest in consolidated joint ventures										4	4
Share repurchases	(118,478)								(4,800)		(4,800)
Net income								18,716			18,716
Balance, January 31, 2023	5,276,767	\$ 62	720,325	\$ 7	5,600	\$ 135,299	\$ 729,158	\$ (336,366)	\$ (132,382)	\$ 19	\$ 395,797
Stock options, amortization and issuances	1,720						59				59
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures							2,157				2,157
Conversion of Class B to Class A common stock	18		(18)								-
Changes in noncontrolling interest in consolidated joint ventures										7	7
Net income								34,146			34,146
Balance, April 30, 2023	5,278,505	\$ 62	720,307	\$ 7	5,600	\$ 135,299	\$ 731,374	\$ (304,889)	\$ (132,382)	\$ 26	\$ 429,497
Stock options, amortization and issuances	1,610						23				23
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures	65,372		28,955	1			(112)				(111)
Conversion of Class B to Class A common stock	181		(181)								-
Changes in noncontrolling interest in consolidated joint ventures										11	11
Net income								55,764			55,764
Balance, July 31, 2023	5,345,668	\$ 62	749,081	\$ 8	5,600	\$ 135,299	\$ 731,285	\$ (251,794)	\$ (132,382)	\$ 37	\$ 482,515

See notes to condensed consolidated financial statements (unaudited).

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

	Nine Months Ended July 31,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 147,659	\$ 108,626
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	5,679	7,223
Stock-based compensation	20,208	9,553
Amortization of debt discounts, premiums and deferred financing costs	(366)	1,561
Gain on sale of property and assets	(941)	(81)
Gain on consolidation of joint venture	(45,653)	(19,102)
Income from unconsolidated joint ventures	(36,814)	(20,969)
Distributions of earnings from unconsolidated joint ventures	3,170	13,382
(Gain) loss on extinguishment of debt	(1,371)	4,082
Noncontrolling interest in consolidated joint ventures	-	22
Inventory impairments and land option write-offs	3,638	922
(Increase) decrease in assets:		
Inventories	(181,270)	217,211
Receivables, deposits and notes	(25,138)	12,638
Origination of mortgage loans	(1,083,465)	(811,015)
Sale of mortgage loans	1,065,098	841,659
Deferred tax assets	44,924	20,095
Increase (decrease) in liabilities:		
Accounts payable, accrued interest and other liabilities	3,819	(74,050)
Customers' deposits	(9,146)	(17,425)
State income tax payable	(2,215)	(2,733)
Net cash (used in) provided by operating activities	(92,184)	291,599
Cash flows from investing activities:		
Proceeds from sale of property and assets	951	459
Purchase of property, equipment, and other fixed assets	(13,437)	(13,203)
Investment in and advances to unconsolidated joint ventures, net of reimbursements	(32,162)	(78,560)
Distributions of capital from unconsolidated joint ventures	4,353	12,889
Net cash used in investing activities	(40,295)	(78,415)
Cash flows from financing activities:		
Proceeds from mortgages and notes	227,612	249,041
Payments related to mortgages and notes	(241,496)	(269,453)
Proceeds from model sale leaseback financing programs	25,619	12,412
Payments related to model sale leaseback financing programs	(17,728)	(14,551)
Proceeds from land bank financing programs	75,969	34,713
Payments related to land bank financing programs	(72,132)	(90,056)
Net proceeds (payments) related to mortgage warehouse lines of credit	23,688	(32,468)
Payments related to senior notes, senior secured notes and senior unsecured term loan	(145,000)	(101,937)
Preferred dividends paid	(8,007)	(8,007)
Treasury stock purchases	(26,539)	(4,800)
Deferred financing costs from land banking financing programs and note issuances	(3,155)	(2,891)
Net cash used in financing activities	(161,169)	(227,997)
Net decrease in cash and cash equivalents, and restricted cash and cash equivalents	(293,648)	(14,813)
Cash and cash equivalents, and restricted cash and cash equivalents balance, beginning of period	477,519	382,190
Cash and cash equivalents, and restricted cash and cash equivalents balance, end of period	\$ 183,871	\$ 367,377
Supplemental disclosures of cash flows:		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 23,091	\$ 26,630
Income taxes	\$ 8,856	\$ 8,571
Reconciliation of Cash, cash equivalents and restricted cash		
Homebuilding: Cash and cash equivalents	\$ 122,036	\$ 325,182
Homebuilding: Restricted cash and cash equivalents	9,615	8,623
Financial Services: Cash and cash equivalents, included in financial services assets	5,847	4,119
Financial Services: Restricted cash and cash equivalents, included in financial services assets	46,373	29,453
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 183,871	\$ 367,377

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

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

In the second quarter of fiscal 2023, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$10.8 million reduction in our investment in the joint venture, and increases of \$14.9 million and \$5.3 million to inventory and accounts payable, respectively.

In the third quarter of fiscal 2023, we consolidated the remaining assets of one of our unconsolidated joint ventures, resulting in a \$53.4 million reduction in our investment in the joint venture, and increases of \$95.3 million to inventory, \$3.8 million to other assets, \$14.5 million to accounts payable, \$7.3 million to customer deposits and \$4.8 million to nonrecourse mortgages and notes.

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

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

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

1. Basis of Presentation

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

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

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, and accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. In the opinion of management, all adjustments for interim periods presented have been made, which include normal recurring accruals and deferrals necessary for a fair presentation of our condensed consolidated financial position, results of operations and cash flows. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and these differences could have a significant impact on the Condensed Consolidated Financial Statements. Results for interim periods are not necessarily indicative of the results which might be expected for a full year.

2. Stock Compensation

During the first quarter of fiscal 2024, the Board of Directors (the "Board") approved certain grants under a new Long-Term Incentive Program (the "2024 LTIP") that contain performance-based vesting conditions. The performance period for the 2024 LTIP commenced on November 1, 2023 and will end on October 31, 2026. At the end of the performance period, 50% of the awards, if any, are payable in cash-settled phantom shares and the remaining 50% of the awards, if any, are payable in shares of Company stock, subject to a mandatory two-year post-vesting hold period.

For the three and nine months ended July 31, 2024, stock-based compensation expense was \$9.2 million (\$6.1 million net of tax) and \$20.2 million (\$13.2 million net of tax), respectively. For the three and nine months ended July 31, 2023, stock-based compensation expense was \$5.3 million (\$4.2 million net of tax) and \$9.6 million (\$7.7 million net of tax), respectively.

3. Interest

Interest costs incurred, expensed and capitalized were as follows:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Interest capitalized at beginning of period	\$ 52,222	\$ 60,274	\$ 52,060	\$ 59,600
Plus interest incurred(1)	28,087	34,214	94,578	103,662
Less cost of sales interest expensed	(22,316)	(19,272)	(63,757)	(55,719)
Less other interest expensed(2)	(6,262)	(13,502)	(25,682)	(43,096)
Less interest contributed to unconsolidated joint venture(3)	-	(6,440)	(5,468)	(9,456)
Plus interest acquired from unconsolidated joint venture(4)	2,861	-	2,861	283
Interest capitalized at end of period(5)	\$ 54,592	\$ 55,274	\$ 54,592	\$ 55,274

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

(2) Other interest expensed includes interest that does not qualify for interest capitalization because our assets that qualify for interest capitalization (inventory under development) did not exceed our debt, which amounted to \$2.6 million and \$14.5 million for the three and nine months ended July 31, 2023. During the three and nine months ended July 31, 2024, our inventory under development exceeded our debt, therefore, all of the related interest incurred qualified for interest capitalization. Other interest also includes interest on completed homes, land in planning and fully developed lots without homes under construction, which does not qualify for capitalization and therefore is expensed as incurred. This component of other interest was \$6.3 million and \$10.9 million for the three months ended July 31, 2024 and 2023, respectively, and \$25.7 million and \$28.6 million for the nine months ended July 31, 2024 and 2023, respectively.

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

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

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

4. Reduction of Inventory to Fair Value

We had 448 and 359 communities under development and held for future development or sale at July 31, 2024 and 2023, respectively, which we evaluated for impairment indicators. We identified an impairment indicator related to an offer received on a parcel of land with a carrying value of \$15.2 million for one community in our West segment during both the three and nine months ended July 31, 2024. The impairment analysis resulted in an impairment charge of \$2.7 million, included with "Inventory impairments and land option write-offs" in the Condensed Consolidated Statement of Operations and deducted from inventory. We did not identify impairment indicators for any community during the three and nine months ended July 31, 2023.

Write-offs of options, engineering and capitalized interest costs are recorded in "Inventory impairments and land option write-offs" when we redesign communities, abandon certain engineering costs or do not exercise options in various locations because the pro forma profitability is not projected to produce adequate returns on investment commensurate with the risk. Total aggregate write-offs related to these items were \$0.4 million and \$0.3 million for the three months ended July 31, 2024 and 2023, respectively, and \$0.9 million for each of the nine months ended July 31, 2024 and 2023. The number of lots walked away from during the three months ended July 31, 2024 and 2023 were 1,277 and 521, respectively, and 2,547 and 2,918 during the nine months ended July 31, 2024 and 2023, respectively. Walk-aways during the first three quarters of fiscal 2024 and 2023 occurred across each of our segments.

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. As a result of our continued involvement and the ability to repurchase model homes with below market options, these sale and leaseback transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheets at July 31, 2024 and October 31, 2023, included inventory of \$48.9 million and \$41.7 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$49.4 million and \$42.0 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

We have land banking arrangements, whereby we sell our land parcels to a land banker and they provide us an option to purchase back finished lots on a predetermined schedule. Because of our options to repurchase these parcels, these transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheets at July 31, 2024 and October 31, 2023, included inventory of \$167.5 million and \$183.1 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$86.2 million (net of debt issuance costs) and \$82.3 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

5. Variable Interest Entities

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

Although the Company does not have legal title to the underlying land, we analyze our option purchase contracts to determine whether the corresponding land and lot sellers are VIEs and, if so, whether we are the primary beneficiary. The significant factors we consider in determining if the power to direct the activities of a VIE that most significantly impact the VIE's economic performance are shared include, among other things, our ability in determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, changing the terms of the contract or arranging financing for the VIE. As a result of our analyses, we have concluded, there are no VIEs that required consolidation at either July 31, 2024 or October 31, 2023 because we are not the primary beneficiary of the land or lots under option purchase contracts.

We will continue to secure land and lots using options, some of which are with VIEs where we have determined power is shared among the partners and we do not have a controlling financial interest. Including deposits on our unconsolidated VIEs, at July 31, 2024 and October 31, 2023, we had total cash deposits amounting to \$212.3 million and \$192.3 million, respectively, to purchase land and lots with a total purchase price of \$2.8 billion and \$2.2 billion, respectively. The maximum exposure to loss with respect to our land and lot options is limited to the deposits plus any pre-development costs invested in the property, although some deposits are refundable at our request or refundable if certain conditions are met.

6. Warranty Costs

We accrue for warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. For homes to be delivered in fiscal 2024, our deductible under our general liability insurance is \$30.0 million, aggregated for construction defect and warranty claims, and for homes previously delivered in 2023, our deductible under our general liability insurance was \$25.0 million, aggregated for construction defect, warranty, and bodily injury claims. As of November 1, 2023, we no longer have an aggregate deductible for bodily injury claims. For bodily injury claims, our deductible per occurrence in fiscal 2024 is \$0.25 million and \$0.5 million for action over claims, both with a \$30.0 million limit, and for fiscal 2023 it was \$0.25 million for all other states and \$0.5 million for California, both with a \$5.0 million limit. In addition, we establish a warranty accrual for lower cost-related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs at the time each home is closed and control is transferred to the homebuyer. Additions, charges and changes in the warranty reserve and general liability reserve for the three and nine months ended July 31, 2024 and 2023 were as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 85,177	\$ 90,610	\$ 98,919	\$ 97,719
Additions – Selling, general and administrative	2,262	1,657	6,850	5,451
Additions – Cost of sales	2,787	1,445	7,637	4,685
Charges incurred during the period	(2,546)	(3,799)	(28,139)	(17,186)
Changes to pre-existing reserves	418	437	2,831	(319)
Balance, end of period	\$ 88,098	\$ 90,350	\$ 88,098	\$ 90,350

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

7. Commitments and Contingent Liabilities

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

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

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

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

8. Cash Equivalents, Restricted Cash and Customers' Deposits

Cash equivalents include certificates of deposit, U.S. Treasury bills and government money-market funds with maturities of 90 days or less when purchased. Our cash balances are held at a few financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major high credit quality financial institutions. At July 31, 2024 and October 31, 2023, \$15.5 million and \$11.4 million, respectively, of our total cash and cash equivalents was in cash equivalents and restricted cash equivalents.

Homebuilding "Restricted cash and cash equivalents" on the Condensed Consolidated Balance Sheets totaled \$9.6 million and \$8.4 million as of July 31, 2024 and October 31, 2023, respectively, which primarily consists of cash collateralizing our letter of credit agreements and facilities (see Note 12).

Financial services restricted cash and cash equivalents, which are included in "Financial services" assets on the Condensed Consolidated Balance Sheets, totaled \$46.4 million and \$30.5 million as of July 31, 2024 and October 31, 2023, respectively. Included in these balances were (1) financial services customers' deposits of \$44.1 million and \$28.1 million at July 31, 2024 and October 31, 2023, respectively, which are subject to restrictions on our use, and (2) restricted cash under the terms of our mortgage warehouse lines of credit of \$2.3 million and \$2.4 million at July 31, 2024 and October 31, 2023, respectively.

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

9. Leases

We rent certain office space for use in our operations. Our lease population at July 31, 2024 is comprised of operating leases where we are the lessee, primarily for our corporate office and division offices.

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

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Operating lease costs	\$ 2,743	\$ 2,646	\$ 8,131	\$ 8,510
Cash payments on lease liabilities	\$ 2,224	\$ 2,222	\$ 6,604	\$ 6,959

Operating right-of-use lease assets ("ROU assets") are included in "Prepaid expenses and other assets" on our Condensed Consolidated Balance Sheets, while lease liabilities are included in "Accounts payable and other liabilities". During the three and nine months ended July 31, 2024 the Company recorded a net increase to both its ROU assets and lease liabilities of \$3.4 million and \$6.4 million, respectively, as a result of new leases that commenced during the period. The following table contains additional information about our leases:

(In thousands)	July 31, 2024	October 31, 2023
ROU assets	\$ 24,900	\$ 25,745
Lease liabilities	\$ 26,926	\$ 26,470
Weighted-average remaining lease term (in years)	4.7	5.1
Weighted-average discount rate	10.3%	10.0%

Maturities of our operating lease liabilities as of July 31, 2024 are as follows:

Fiscal Year Ending October 31,	(In thousands)
2024 (excluding the nine months ended July 31, 2024)	\$ 2,512
2025	9,761
2026	8,340
2027	5,803
2028	2,283
2029 and thereafter	5,167
Total operating lease payments	33,866
Less: imputed interest	(6,940)
Present value of operating lease liabilities	\$ 26,926

10. Mortgage Loans Held for Sale

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

At July 31, 2024 and October 31, 2023, \$140.1 million and \$127.7 million, respectively, of mortgages held for sale were pledged against our mortgage warehouse lines of credit (see Note 11). We may incur losses with respect to mortgages that were previously sold that are delinquent and which had underwriting defects, but only to the extent the losses are not covered by mortgage insurance or the resale value of the home. The reserves for these estimated losses are included in “Financial services” liabilities on the Condensed Consolidated Balance Sheets. At both July 31, 2024 and October 31, 2023, we had specific reserves for 10 identified mortgage loans, as well as reserves for an estimate of future losses on mortgages sold but not yet identified to us.

The activity in our loan origination reserves during the three and nine months ended July 31, 2024 and 2023 were as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2024	2023	2024	2023
Loan origination reserves, beginning of period	\$ 2,034	\$ 1,906	\$ 2,013	\$ 1,795
Provisions for losses during the period	60	50	162	127
Adjustments to pre-existing provisions for losses from changes in estimates	-	-	(81)	34
Loan origination reserves, end of period	\$ 2,094	\$ 1,956	\$ 2,094	\$ 1,956

11. Mortgages

Nonrecourse

We had nonrecourse mortgage loans for certain communities totaling \$115.4 million and \$91.5 million, net of debt issuance costs, at July 31, 2024 and October 31, 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$336.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 9.1% and 8.5% at July 31, 2024 and October 31, 2023, respectively, and the mortgage loan payments primarily correspond to home deliveries.

Mortgage Loans

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

Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. (“Chase Master Repurchase Agreement”), which was amended on July 31, 2024 to extend the maturity date to July 31, 2025, is a short-term borrowing facility that provides up to \$50.0 million through its maturity. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted Secured Overnight Financing Rate (“SOFR”), plus an applicable margin of 2.00% to 2.25%. As of July 31, 2024 and October 31, 2023, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was \$42.7 million and \$31.4 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank (“Customers Master Repurchase Agreement”), which is a short-term borrowing facility that was amended on July 24, 2024 to provide up to \$75.0 million through August 30, 2024, and up to \$50.0 million from and after August 31, 2024 to maturity on March 5, 2025. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current Bloomberg Short Term Bank Yield Index (“BSBY”) rate or SOFR, plus an applicable margin ranging from 2.125% to 4.5% based on the type of loan and the number of days outstanding on the warehouse line. As of July 31, 2024 and October 31, 2023, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was \$65.4 million and \$41.1 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Hinsdale Bank & Trust Company, N.A. (“Hinsdale Master Repurchase Agreement”), which is a short-term borrowing facility that provides up to \$50.0 million through its maturity on July 14, 2025. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at the One-Month Term SOFR, plus an applicable margin of 1.75% subject to a floor of 2.75%. As of July 31, 2024, the aggregate principal amount of all borrowings outstanding under the Hinsdale Master Repurchase Agreement was \$26.3 million.

K. Hovnanian Mortgage had a Master Repurchase Agreement with Flagstar Bank, N.A. (“Flagstar Master Repurchase Agreement”) which was a short-term borrowing facility that provided up to \$50.0 million through its maturity on January 10, 2025. The loan was secured by the mortgages held for sale and was repaid when we sold the underlying mortgage loans to permanent investors. Interest was payable daily or as loans were sold to permanent investors on outstanding advances at the current SOFR, subject to a floor of 1.0%, plus an applicable margin ranging from 1.82% to 5.0% based on the type of loan and the number of days outstanding on the line. The borrowings outstanding were paid off and the Flagstar Master Repurchase Agreement was terminated on July 8, 2024.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement and Hinsdale Master Repurchase Agreement (together, the “Master Repurchase Agreements”) require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis, the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of July 31, 2024, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

12. Senior Notes and Credit Facilities

Senior notes and credit facilities balances as of July 31, 2024 and October 31, 2023, were as follows:

(In thousands)	July 31, 2024	October 31, 2023
Senior Secured Notes:		
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025 (1)	\$ -	\$ 113,502
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	225,000	225,000
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	430,000	430,000
Total Senior Secured Notes	\$ 655,000	\$ 768,502
Senior Notes:		
13.5% Senior Notes due February 1, 2026 (2)	\$ 26,588	\$ 90,590
5.0% Senior Notes due February 1, 2040 (2)	24,968	90,120
Total Senior Notes	\$ 51,556	\$ 180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027 (2)	\$ -	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (2)	\$ 175,000	\$ 81,498
Senior Secured Revolving Credit Facility (3)	\$ -	\$ -
Subtotal senior notes and credit facilities	\$ 881,556	\$ 1,070,261
Net premiums (discounts)	\$ 20,026	\$ (14,563)
Unamortized debt issuance costs	\$ (2,833)	\$ (4,207)
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 898,749	\$ 1,051,491

(1) On November 15, 2023, K. Hovnanian redeemed all of its \$113.5 million aggregate principal amount of 10.0% Senior Secured 1.75 Lien Notes due November 15, 2025.

(2) On May 21, 2024, K. Hovnanian exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 and cash, \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of its \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 and cash for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

(3) At July 31, 2024, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term SOFR (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

General

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at July 31, 2024 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together, the "Debt Instruments") outstanding at July 31, 2024, do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchange or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the "Unsecured Term Loans") made under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 (the "Unsecured Term Loan Facility"), loans (the "Secured Term Loans") made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (the "Secured Term Loan Facility") and loans (the "Secured Revolving Loans") made under the Senior Secured Revolving Credit Agreement due June 30, 2026 (the "Secured Credit Agreement") or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Unsecured Term Loans, Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of July 31, 2024, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments and dividends (in the case of certain of such payments, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, we were no longer restricted from paying dividends. As such, we have made dividend payments of \$2.7 million to preferred shareholders in every quarter since the first quarter of fiscal 2022. Dividends on the Series A preferred stock are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Series A preferred stock for a quarterly dividend period (regardless of our availability of funds), holders of the Series A Preferred Stock will have no right to receive a dividend for that period, and we will have no obligation to pay a dividend for that period.

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

Fiscal 2024

On November 15, 2023, K. Hovnanian redeemed in full all of the \$113.5 million aggregate principal amount of its 10.0% Senior Secured 1.75 Lien Notes due 2025 for a redemption price of \$119.2 million, which included accrued and unpaid interest. This redemption resulted in a gain on extinguishment of debt of \$1.4 million for the nine months ended July 31, 2024, including the write-off of unamortized premiums, debt issuance costs and fees. The gain from the redemption is included in "(Loss) gain on extinguishment of debt, net" in the Condensed Consolidated Statement of Operations.

On May 21, 2024, K. Hovnanian and the Notes Guarantors entered into certain exchange agreements, pursuant to which K. Hovnanian, the Notes Guarantors and affiliates of certain investment managers named therein (collectively in respect of the Exchange Agreements, the "Investors") completed certain private exchanges (collectively, the "Exchanges") of (i) \$64.0 million aggregate principal amount of 13.5% 2026 Notes (as defined below) and \$21.5 million in cash for \$42.5 million aggregate principal amount of additional Secured Term Loans, (ii) \$65.2 million aggregate principal amount of 5.0% 2040 Notes (as defined below) for \$31.4 million aggregate principal amount of additional Secured Term Loans and (iii) \$39.6 million aggregate principal amount of Unsecured Term Loans and \$10.0 million in cash for \$19.6 million aggregate principal amount of additional Secured Term Loans. Following the consummation of the Exchanges, there are \$26.6 million aggregate principal amount of 13.5% 2026 Notes outstanding, \$25.0 million aggregate principal amount of 5.0% 2040 Notes outstanding and no Unsecured Term Loans outstanding, in total equaling \$51.6 million aggregate principal amount of indebtedness under these instruments outstanding (such amount, the "Remaining Unsecured Notes Amount"). As a result of the Exchanges, all outstanding obligations in respect of principal, interest and fees under the Unsecured Term Loan Facility and all commitments thereunder were terminated.

In connection with the Exchanges, K. Hovnanian, the Notes Guarantors and the Investors entered into the First Amendment to the Secured Term Loan Facility (the "First Amendment" and the Secured Term Loan Facility as amended, the "Amended Secured Term Loan Facility"), providing for, among other things, (i) the issuance of the \$93.5 million aggregate principal amount of additional Secured Term Loans described above and (ii) certain other modifications and amendments, primarily related to indebtedness permitted to be incurred by K. Hovnanian and the Notes Guarantors thereunder, including providing that the interest rate on all the then outstanding Secured Term Loans shall be increased in certain circumstances when certain priority secured debt is issued, to a weighted-average rate that results from applying (x) an 11.75% per annum rate to the principal amount of the Secured Terms Loans equal to a specified aggregate principal amount of such priority secured debt and (y) a 10.0% per annum rate on the remaining principal amount of Secured Term Loans (the "Interest Rate Increase"). Additionally, the First Amendment provides for an uncommitted incremental term loan facility (term loans thereunder, "Incremental Term Loans") in a maximum amount equal to the Remaining Unsecured Notes Amount. Incremental Term Loans, to the extent requested by K. Hovnanian and incurred in accordance with the Amended Secured Term Loan Facility, would be secured on an equal priority basis with the Secured Term Loans and would generally have the same terms as the Secured Term Loans. K. Hovnanian may request Incremental Term Loans for the sole purpose of exchanging the remaining outstanding principal amount of 13.5% 2026 Notes and 5.0% 2040 Notes into Incremental Term Loans, which Incremental Term Loans and exchange shall be subject to certain conditions as set forth in the Amended Secured Term Loan Facility. The Secured Term Loans bear interest at a rate equal to 10.0% per annum (subject to the Interest Rate Increase) and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. Following consummation of the Exchanges, the total outstanding principal amount of Secured Term Loans under the Secured Term Loan Facility is \$175.0 million.

Secured Obligations

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

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

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

The Secured Term Loans bear interest at a rate equal to 10.0% per annum (subject to increase as described above under "- Fiscal 2024") and will mature on January 31, 2028, with interest payable in arrears on the last business day of each fiscal quarter. At any time and from time to time prior to November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 102.5% of their principal amount and at any time and from time to time after November 15, 2023, K. Hovnanian may voluntarily prepay some or all of the Secured Term Loans at a prepayment price equal to 100.0% of their principal amount.

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

As of July 31, 2024, the collateral securing the Secured Credit Agreement, the Secured Term Loan Facility and the senior secured notes included (1) \$130.1 million of cash and cash equivalents, which included \$4.3 million of restricted cash collateralizing certain letters of credit (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) \$695.7 million aggregate book value of real property, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in joint venture holding companies with an aggregate book value of \$124.2 million.

Unsecured Obligations

The 13.5% Senior Notes due 2026 (the "13.5% 2026 Notes") bear interest at 13.5% per annum and mature on February 1, 2026. Interest on the 13.5% 2026 Notes is payable semi-annually on February 1 and August 1 of each year to holders of record at the close of business on January 15 or July 15, as the case may be, immediately preceding each such interest payment date. The 13.5% 2026 Notes are redeemable in whole or in part at K. Hovnanian's option at any time prior to February 1, 2025, at a redemption price equal to 100% of their principal amount plus an applicable "Make Whole Amount". At any time and from time to time on or after February 1, 2025, K. Hovnanian may also redeem some or all of the 13.5% 2026 Notes at a redemption price equal to 100.0% of their principal amount.

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

The Unsecured Term Loans bore interest at a rate equal to 5.0% per annum and interest was payable in arrears on the last business day of each fiscal quarter. The Unsecured Term Loans were redeemed in full in conjunction with the Exchanges.

Other

We have certain stand-alone cash collateralized letter of credit agreements and facilities under which there was a total of \$4.1 million and \$4.9 million letters of credit outstanding at July 31, 2024 and October 31, 2023, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. At July 31, 2024 and October 31, 2023, the amount of cash collateral in these segregated accounts was \$4.3 million and \$5.1 million, respectively, which is reflected in "Restricted cash and cash equivalents" on the Condensed Consolidated Balance Sheets.

13. Per Share Calculation

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

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	July 31,		July 31,	
	2024	2023	2024	2023
Numerator:				
Net income	\$ 72,919	\$ 55,764	\$ 147,659	\$ 108,626
Less: preferred stock dividends	(2,669)	(2,669)	(8,007)	(8,007)
Less: undistributed earnings allocated to participating securities	(1,548)	(3,578)	(4,660)	(7,780)
Numerator for basic earnings per share	\$ 68,702	\$ 49,517	\$ 134,992	\$ 92,839
Plus: undistributed earnings allocated to participating securities	1,548	3,578	4,660	7,780
Less: undistributed earnings reallocated to participating securities	(1,556)	(3,582)	(4,698)	(7,801)
Numerator for diluted earnings per share	\$ 68,694	\$ 49,513	\$ 134,954	\$ 92,818
Denominator:				
Denominator for basic earnings per share – weighted average shares outstanding	6,474	6,249	6,476	6,201
Effect of dilutive securities:				
Stock-based payments	574	456	572	441
Denominator for diluted earnings per share – weighted-average shares outstanding	7,048	6,705	7,048	6,642
Basic earnings per share	\$ 10.61	\$ 7.92	\$ 20.85	\$ 14.97
Diluted earnings per share	\$ 9.75	\$ 7.38	\$ 19.15	\$ 13.97

In addition, 6 thousand shares related to out-of-the money stock options, which could potentially dilute basic earnings per share in the future, were not included in the computation of diluted earnings per share for both the three and nine months ended July 31, 2023, because to do so would have been anti-dilutive for the period. There were no shares related to out-of-the-money stock options for the three and nine months ended July 31, 2024.

14. Preferred Stock

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. We paid dividends of \$2.7 million and \$8.0 million on the Series A preferred stock for the three and nine months ended July 31, 2024 and 2023, respectively.

15. Common Stock

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

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

On September 1, 2022, the Board authorized a repurchase program for up to \$50.0 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date.

During the nine months ended July 31, 2024, we repurchased 188,800 shares under the stock repurchase program, with a market value of \$26.5 million, or \$140.31 per share. During the nine months ended July 31, 2023, we repurchased 118,478 shares under the stock repurchase program, with a market value of \$4.8 million, or \$40.51 per share. The repurchased shares were added to "Treasury stock" on the Condensed Consolidated Balance Sheets. As of July 31, 2024, \$6.5 million of our Class A common stock is available to be purchased under the stock repurchase program.

16. Income Taxes

For the three and nine months ended July 31, 2024, we recorded income tax expense of \$24.4 million and \$51.6 million, respectively, and \$14.6 million and \$25.9 million for the same periods in the prior year, respectively. For both the three and nine months ended July 31, 2024, and both prior year periods, the expense was primarily driven by federal and state tax expense on income before income taxes and permanent differences, partially offset by the generation of energy efficient home tax credits. Income tax expense for the three and nine months ended July 31, 2024 was impacted by discrete net tax expenses related to the gain on consolidation of a joint venture, cancellation of debt income from the Exchanges and stock-based compensation as a result of current period activity. The state tax expense for the three and nine months ended July 31, 2023 included the release of a valuation allowance as a result of a change in tax law. The federal tax expense is not paid in cash as it is offset by the use of our existing NOL carryforwards.

The Company recognizes deferred income taxes for deferred tax benefits arising from NOL carryforwards and temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. As part of our analysis, we considered both positive and negative factors that impact profitability and whether those factors would lead to a change in estimate of our deferred tax assets (“DTAs”) that may be realized in the future. At July 31, 2024, the Company has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize its DTAs, net of any valuation allowance.

17. Operating and Reporting Segments

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

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

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

Homebuilding:

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

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

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

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

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

Financial information relating to our reportable segments was as follows:

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Revenues:				
Northeast	\$ 255,332	\$ 201,814	\$ 645,859	\$ 625,323
Southeast	115,964	121,240	350,761	296,084
West	330,980	309,147	970,671	898,882
Total homebuilding	702,276	632,201	1,967,291	1,820,289
Financial services	18,888	14,649	51,323	41,016
Corporate and unallocated	1,540	3,107	6,666	7,679
Total revenues	\$ 722,704	\$ 649,957	\$ 2,025,280	\$ 1,868,984
Income before income taxes:				
Northeast	\$ 40,006	\$ 29,088	\$ 107,645	\$ 86,311
Southeast	20,449	23,431	62,391	49,902
West	21,009	27,873	77,198	65,981
Total homebuilding	81,464	80,392	247,234	202,194
Financial services	6,526	4,304	15,467	11,466
Corporate and unallocated (1)	9,279	(14,306)	(63,477)	(79,100)
Income before income taxes	\$ 97,269	\$ 70,390	\$ 199,224	\$ 134,560

- (1) Corporate and unallocated for the three months ended July 31, 2024, included corporate general and administrative expenses of \$38.4 million, \$42.3 million of other income, and a \$5.4 million reduction to interest expense. Corporate and unallocated for the nine months ended July 31, 2024, included corporate general and administrative expenses of \$108.1 million, \$43.2 million of other income, and \$1.4 million of gain on extinguishment of debt. Corporate and unallocated for the three months ended July 31, 2023, included corporate general and administrative expenses of \$27.4 million, interest expense of \$2.6 million, \$19.8 million of other income, and loss on extinguishment of debt of \$4.1 million. Corporate and unallocated for the nine months ended July 31, 2023, included corporate general and administrative expenses of \$78.0 million, interest expense of \$14.4 million, \$17.4 million of other income, and loss on extinguishment of debt of \$4.1 million.

(In thousands)	July 31, 2024	October 31, 2023
Assets:		
Northeast	\$ 647,257	\$ 483,784
Southeast	295,320	286,701
West	877,310	733,318
Total homebuilding	1,819,887	1,503,803
Financial services	206,365	168,671
Corporate and unallocated	514,253	820,466
Total assets	\$ 2,540,505	\$ 2,492,940

18. Investments in Unconsolidated Homebuilding and Land Development Joint Ventures

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

During the first quarter of fiscal 2023, we contributed four communities we owned, including one active selling community to a new unconsolidated joint venture for \$41.1 million of net cash.

During the second quarter of fiscal 2023, one of the Company's unconsolidated joint ventures was dissolved, and we assumed control of the remaining assets and liabilities.

During the third quarter of fiscal 2023, we contributed 16 communities we owned, including eight active selling communities, to one new unconsolidated joint venture for \$75.7 million of net cash.

During the third quarter of fiscal 2023, we assumed control of one of our unconsolidated joint ventures after the partner received their final cash distribution. We consolidated the remaining assets and liabilities that were in the unconsolidated joint venture at fair value on the date of distribution. Upon consolidation, we recorded a gain of \$19.1 million in "Other (income) expense, net" for the three and nine months ended July 31, 2023. Subsequent to consolidation, we contributed the same three active selling communities to an unconsolidated joint venture for \$48.0 million of net cash.

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

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

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

(In thousands)	July 31, 2024		
	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	\$ 129,396	\$ 331	\$ 129,727
Inventories	410,777	-	410,777
Other assets	350,532	-	350,532
Total assets	\$ 890,705	\$ 331	\$ 891,036
Liabilities and equity:			
Accounts payable and accrued liabilities	\$ 514,266	\$ 31	\$ 514,297
Notes payable	94,478	-	94,478
Total liabilities	608,744	31	608,775
Equity of:			
Hovnanian Enterprises, Inc.	124,213	1	124,214
Others	157,748	299	158,047
Total equity	281,961	300	282,261
Total liabilities and equity	\$ 890,705	\$ 331	\$ 891,036
Debt to capitalization ratio	25%	0%	25%

October 31, 2023

(In thousands)	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	\$ 127,547	\$ 822	\$ 128,369
Inventories	375,022	-	375,022
Other assets	380,989	-	380,989
Total assets	\$ 883,558	\$ 822	\$ 884,380
Liabilities and equity:			
Accounts payable and accrued liabilities	\$ 524,586	\$ 605	\$ 525,191
Notes payable	101,126	-	101,126
Total liabilities	625,712	605	626,317
Equity of:			
Hovnanian Enterprises, Inc.	96,281	210	96,491
Others	161,565	7	161,572
Total equity	257,846	217	258,063
Total liabilities and equity	\$ 883,558	\$ 822	\$ 884,380
Debt to capitalization ratio	28%	0%	28%

As of July 31, 2024 and October 31, 2023, we had outstanding advances to unconsolidated joint ventures of \$2.1 million and \$1.4 million, respectively. These amounts were included in "Accounts payable and accrued liabilities" in the tables above. In some cases, our net investment in unconsolidated joint ventures is less than our proportionate share of equity reflected in the tables above because of differences between asset impairments recorded against our unconsolidated joint venture investments and any impairments recorded in the applicable unconsolidated joint venture. During the nine months ended July 31, 2024 and 2023, we did not write-down any of our unconsolidated joint venture investments.

Three Months Ended July 31, 2024

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

Three Months Ended July 31, 2023

(In thousands)	Homebuilding	Land Development	Total
Revenues	\$ 122,579	\$ -	\$ 122,579
Cost of sales and expenses	(106,873)	(1)	(106,874)
Joint venture net income (loss)	\$ 15,706	\$ (1)	\$ 15,705
Our share of net income (loss)	\$ 8,401	\$ -	\$ 8,401

Nine Months Ended July 31, 2024

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

Nine Months Ended July 31, 2023

(In thousands)	Land		Total
	Homebuilding	Development	
Revenues	\$ 283,710	\$ -	\$ 283,710
Cost of sales and expenses	(260,110)	(4)	(260,114)
Joint venture net income (loss)	\$ 23,600	\$ (4)	\$ 23,596
Our share of net income (loss)	\$ 20,969	\$ -	\$ 20,969

The reason "Our share of net income" in homebuilding joint ventures is higher or lower than the "Joint venture net income" in the tables above is a result of our varying ownership percentages in each investment. For the three and nine months ended July 31, 2024 and 2023, respectively, we had investments in seven and eight unconsolidated joint ventures, respectively, and our ownership in these joint ventures ranged from 20% to over 50% for both periods. Therefore, depending on mix, if the unconsolidated joint ventures in which we have higher sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a higher overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage; conversely, if the unconsolidated joint ventures in which we have lower sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a lower overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage. For the three and nine months ended July 31, 2024, "Our share of net income" was less than the "Joint venture net income" due to four unconsolidated joint ventures with increased income during the period for which we currently recognize a lower profit-sharing percentage based on the joint venture agreements, partially offset by one unconsolidated joint venture with increased income during the period for which we currently recognize a higher profit-sharing percentage based on the joint venture agreements. In addition, "Joint venture net income" for the three and nine months ended July 31, 2024, was positively impacted by an unconsolidated joint venture that was generating income but such income did not impact "Our share of net income" because we had previously written off our investment in such joint venture.

To compensate us for the administrative services we provide as the manager of certain unconsolidated joint ventures, we receive a management fee based on a percentage of the applicable unconsolidated joint ventures' revenues. These management fees, which totaled \$5.5 million and \$4.5 million for the three months ended July 31, 2024 and 2023, respectively, and \$14.0 million and \$11.2 million for the nine months ended July 31, 2024 and 2023, respectively, are recorded in "Selling, general and administrative" homebuilding expenses in the Condensed Consolidated Statements of Operations.

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

19. Recent Accounting Pronouncements

In August 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-05, "Business Combinations - Joint Venture Formations" ("ASU 2023-05"), which addresses the accounting for contributions made to a joint venture. ASU 2023-05 requires joint ventures to measure all assets and liabilities upon formation at fair value. This guidance will be applied prospectively to all joint venture formations with a formation date on or after January 1, 2025. We are currently evaluating the potential impact, but we do not expect the adoption of this guidance to have a material impact on our Condensed Consolidated Financial Statements.

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

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

20. Fair Value of Financial Instruments

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

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

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

(In thousands)	Fair Value Hierarchy	Fair Value at July 31, 2024	Fair Value at October 31, 2023
Mortgage loans held for sale (1)	Level 2	\$ 148,602	\$ 130,235

(1) The aggregate unpaid principal balance was \$147.1 million and \$130.4 million at July 31, 2024 and October 31, 2023, respectively.

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

The financial services segment had a pipeline of loan applications in process of \$616.5 million at July 31, 2024. Loans in process for which interest rates were committed to the borrowers totaled \$68.5 million as of July 31, 2024. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments are expected to expire without being exercised by the borrowers, the total commitments do not necessarily represent future cash requirements.

In addition, the financial services segment uses investor commitments and forward sales of mandatory MBS to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by entering into MBS forward commitments, option contracts with investment banks, federally regulated bank affiliates and loan sales transactions with permanent investors meeting the segment's credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At July 31, 2024, we had no open mandatory investor commitments to sell MBS.

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

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

(In thousands)	Three Months Ended July 31, 2023		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ (64)	\$ 8	\$ 2

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

(In thousands)	Nine Months Ended July 31, 2023		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 662	\$ -	\$ -

Assets measured at fair value on a nonrecurring basis are those assets for which we have recorded valuation adjustments and write-offs during the three and nine months ended July 31, 2024, respectively. The assets measured at fair value on a nonrecurring basis are all within our homebuilding operations and are summarized below:

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

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

We recorded an inventory impairment, which is included in the Condensed Consolidated Statements of Operations as "Inventory impairments and land option write-offs" and deducted from inventory of \$2.7 million for both the three and nine months ended July 31, 2024, respectively. We did not have any assets measured at fair value on a nonrecurring basis during the three and nine months ended July 31, 2023, respectively.

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

The fair value of each series of our Notes and Credit Facilities are listed below. Level 2 measurements are estimated based on recent trades or quoted market prices for the same issues or based on recent trades or quoted market prices for our debt of similar security and maturity to achieve comparable yields. Level 3 measurements are estimated based on third-party broker quotes or management's estimate of the fair value based on available trades for similar debt instruments. As shown in the table below, our 8.0% Senior Secured 1.125 Lien Notes due 2028, 11.75% Senior Secured 1.25 Lien Notes due 2029 and 5.0% Senior Notes due 2040 were a Level 2 measurement at July 31, 2024 due to recent trades for the same notes.

Fair Value as of July 31, 2024				
(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	\$ -	\$ 229,358	\$ -	\$ 229,358
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	481,243	-	481,243
Senior Notes:				
13.5% Senior Notes due February 1, 2026	-	-	27,216	27,216
5.0% Senior Notes due February 1, 2040	-	9,987	-	9,987
Senior Credit Facilities:				
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	189,180	189,180
Total fair value	\$ -	\$ 720,588	\$ 216,396	\$ 936,984

Fair Value as of October 31, 2023				
(In thousands)	Level 1	Level 2	Level 3	Total
Senior Secured Notes:				
10.0% Senior Secured 1.75 Lien Notes due November 15, 2025	\$ -	\$ 113,843	\$ -	\$ 113,843
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	-	-	230,690	230,690
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	476,655	-	476,655
Senior Notes:				
13.5% Senior Notes due February 1, 2026	-	-	95,062	95,062
5.0% Senior Notes due February 1, 2040	-	-	44,843	44,843
Senior Credit Facilities:				
Senior Unsecured Term Loan Credit Facility due February 1, 2027	-	-	35,034	35,034
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	81,742	81,742
Total fair value	\$ -	\$ 590,498	\$ 487,371	\$ 1,077,869

The Senior Secured Revolving Credit Facility is not included in the above tables because there were no borrowings outstanding thereunder at July 31, 2024 and October 31, 2023.

21. Transactions with Related Parties

From time to time, an engineering firm owned by Tavit Najarian, a relative of Ara K. Hovnanian, our Chairman and Chief Executive Officer, provides services to the Company. During each of the three months ended July 31, 2024 and 2023, the services provided by such engineering firm to the Company totaled \$0.3 million. During the nine months ended July 31, 2024 and 2023, the services provided by such engineering firm to the Company totaled \$0.9 million and \$1.1 million, respectively. Neither the Company nor Mr. Hovnanian has a financial interest in the relative's company from whom the services were provided.

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

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

Key Performance Indicators

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

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

Overview

Market Conditions and Operating Results

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

From January 2022 to October 2023, 30-year mortgage rates more than doubled. The sharp increase in interest rates, persistently high levels of inflation and doubt about the stability of the economy, negatively impacted housing demand beginning in the second half of fiscal 2022 and into fiscal 2023. During the first quarter of fiscal 2024, mortgage rates declined, which had a positive effect on our sales pace. Rates fluctuated in the second and third quarters of fiscal 2024 and affordability generally remains challenging for homebuyers. We have been aggressive in our pricing, incentives and concessions in order to align with the current market.

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

The number of existing home sales listings remain at all-time low levels, which limits the supply of homes available for purchase, leading to increased demand for new homes. There was strong demand for our homes in the first and second quarters of fiscal 2024 as compared to the same periods of the prior year, which led to a significant increase in net contracts and net contracts per average active selling community, as compared to the first half of fiscal 2023. However, demand declined during the third quarter of fiscal 2024, partially due to volatility in interest rates impacting homebuyers' decisions. In addition, we had extended construction disruptions from Hurricane Beryl across our Texas operations, which is our largest state by deliveries. Overall, we were able to increase net prices in approximately 33% of our communities during the third quarter of fiscal 2024.

There still remains a great degree of uncertainty due to inflation, the continued possibility of an economic recession, employment risk and the potential for further mortgage rate increases. While we continue to experience some lingering supply chain issues, we remain focused on continuing to shorten our construction cycle times and building on our national initiatives to drive down costs with our material providers and trade partners. The changing conditions in the housing market, and in the general economy, makes it difficult to predict how strongly our business will be impacted by these external factors over fiscal 2024 and beyond.

Our cash position allowed us to spend \$677.0 million on land purchases and land development for long-term growth during the nine months ended July 31, 2024, and still have total liquidity of \$251.3 million, including \$122.0 million of homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility as of July 31, 2024.

Information on our operating results for the three and nine months ended July 31, 2024 are as follows:

- Sale of homes revenues increased to \$687.4 million for the three months ended July 31, 2024 from \$630.4 million for the three months ended July 31, 2023, and increased to \$1.9 billion for the nine months ended July 31, 2024 from \$1.8 billion for the nine months ended July 31, 2023. There was a 4.8% and 7.1% increase in the number of home deliveries for the three and nine months ended July 31, 2024, respectively, compared to the prior year periods, as well as an increase in average prices of 4.1% and 1.0% for the three and nine months ended July 31, 2024, respectively, compared to the prior year periods. The increase in average price was the result of the geographic and community mix of our deliveries.
- Gross margin dollars increased 3.5% and 9.0% for the three and nine months ended July 31, 2024, respectively, as compared to the same periods of the prior year, while gross margin percentage decreased from 20.1% for the three months ended July 31, 2023 to 19.1% for the three months ended July 31, 2024, and increased slightly from 18.8% for the nine months ended July 31, 2023 to 18.9% for the nine months ended July 31, 2024. Gross margin percentage, before cost of sales interest expense and land charges, decreased from 23.2% for the three months ended July 31, 2023 to 22.1% for the three months ended July 31, 2024, and increased from 21.9% for the nine months ended July 31, 2023 to 22.2% for the nine months ended July 31, 2024. The decrease in gross margin percentage for the three months ended July 31, 2024 was primarily due to increased use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable. The increase in gross margin percentage for the nine months ended July 31, 2024 was primarily due to decreases in base construction costs per square foot across each of our segments.
- Selling, general and administrative costs (including corporate general and administrative expenses) ("Total SGA") was \$89.5 million, or 12.4% of total revenues, in the three months ended July 31, 2024 compared with \$75.1 million, or 11.6% of total revenues, in the three months ended July 31, 2023. For the nine months ended July 31, 2024, Total SGA was \$254.5 million, or 12.6% of total revenues, compared with \$224.0 million, or 12.0% of total revenues, in the same period of the prior fiscal year. The increase in Total SGA dollars is primarily due an increase in advertising expenses and compensation expense, mainly related to increased headcount and annual merit increases, along with grants of phantom stock awards under our 2019 and 2023 long-term incentive plans, for which expense is impacted by the change in our stock price each period.
- Other interest decreased to \$6.3 million and \$25.7 million for the three and nine months ended July 31, 2024, respectively, from \$13.5 million and \$43.1 million for the three and nine months ended July 31, 2023, respectively, primarily due to a reduction in principal of our senior notes as a result of redemptions during fiscal 2023 and the first quarter of fiscal 2024, and the debt exchange executed in the third quarter of fiscal 2024.

- Income before taxes increased to \$97.3 million for the three months ended July 31, 2024 from \$70.4 million for the three months ended July 31, 2023, and increased to \$199.2 million for the nine months ended July 31, 2024 from \$134.6 million for the nine months ended July 31, 2023. Income before taxes include gains from the consolidation of joint ventures of \$45.7 million and \$19.1 million for the three and nine months ended July 31, 2024 and 2023, respectively. Net income increased to \$72.9 million for the three months ended July 31, 2024 from \$55.8 million for the three months ended July 31, 2023, and increased to \$147.7 million for the nine months ended July 31, 2024 from \$108.6 million for the nine months ended July 31, 2023. Earnings per share, basic and diluted, increased to \$10.61 and \$9.75, respectively, for the three months ended July 31, 2024 compared to \$7.92 and \$7.38, respectively, for the three months ended July 31, 2023. Earnings per share, basic and diluted, increased to \$20.85 and \$19.15, respectively, for the nine months ended July 31, 2024 compared to \$14.97 and \$13.97, respectively, for the nine months ended July 31, 2023.

- Net contracts decreased 17.5% and increased 3.3% for the three and nine months ended July 31, 2024, respectively, compared to the same periods of the prior year. The decrease for the three months ended July 31, 2024 is primarily due to a historically strong third quarter of fiscal 2023, which included a high number of build for rent contracts. The increase in the nine months is primarily driven by demand for new homes resulting from the low supply of existing homes for sale, slightly lower mortgage rates than the prior year, job creation in the employment market and overall growth in the broader economy.

- Net contracts per average active selling community decreased to 10.1 from 13.4 for the three months ended July 31, 2024, and increased to 32.7 from 32.3 for the nine months ended July 31, 2024 compared to the same periods of the prior year. The fluctuations for the three and nine months ended July 31, 2024 were primarily due to the fluctuations in net contracts discussed above. Also, our active selling communities increased from 102 at July 31, 2023 to 126 at July 31, 2024, however, a significant amount of the community openings occurred during July 2024. Therefore, while the community count used in the calculation increased, the timing of the newly opened communities did not provide the benefit of a full quarter to sell homes therefrom.

- Contract backlog decreased from 2,403 homes at July 31, 2023 to 2,041 homes at July 31, 2024, and the dollar value of contract backlog decreased to \$1.2 billion, a 12.6% decrease in dollar value compared to the prior year, as our backlog conversion ratio has increased from the prior year period due to our focus on having more QMI homes available to sell and deliver.

Results of Operations

Total Revenues

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

(Dollars in thousands)	Three Months Ended			
	July 31, 2024	July 31, 2023	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	\$ 687,424	\$ 630,371	\$ 57,053	9.1%
Land sales and other revenues	16,392	4,937	11,455	232.0%
Financial services	18,888	14,649	4,239	28.9%
Total revenues	\$ 722,704	\$ 649,957	\$ 72,747	11.2%

(Dollars in thousands)	Nine Months Ended			
	July 31, 2024	July 31, 2023	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	\$ 1,947,989	\$ 1,800,724	\$ 147,265	8.2%
Land sales and other revenues	25,968	27,244	(1,276)	(4.7)%
Financial services	51,323	41,016	10,307	25.1%
Total revenues	\$ 2,025,280	\$ 1,868,984	\$ 156,296	8.4%

Homebuilding: Sale of Homes

For the three and nine months ended July 31, 2024, sale of homes revenues increased 9.1% and 8.2%, respectively, compared to the same periods in the prior year. The sale of homes revenue increased due to a 4.8% and 7.1% increase in homes delivered, respectively, as well as a 4.1% and 1.0% increase in the average price per home for the three and nine months ended July 31, 2024, respectively, compared with the prior year periods. The average price per home increased to \$547,748 in the three months ended July 31, 2024 from \$526,186 in the three months ended July 31, 2023. The average price per home increased to \$540,958 in the nine months ended July 31, 2024 from \$535,770 in the nine months ended July 31, 2023. The increase in average price was the result of the geographic and community mix of our deliveries. For further detail on changes in segment revenues see “Homebuilding: Operations by Segment” below. For further detail on land sales and other revenues, see “Homebuilding: Land Sales and Other Revenues” below.

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

(Dollars in thousands, except average sales price)	Three Months Ended July 31,			Nine Months Ended July 31,		
	2024	2023	% Change	2024	2023	% Change
Consolidated total:						
Housing revenues	\$ 687,424	\$ 630,371	9.1%	\$ 1,947,989	\$ 1,800,724	8.2%
Homes delivered	1,255	1,198	4.8%	3,601	3,361	7.1%
Average sales price	\$ 547,748	\$ 526,186	4.1%	\$ 540,958	\$ 535,770	1.0%
Unconsolidated joint ventures: (1)						
Housing revenues	\$ 151,443	\$ 120,984	25.2%	\$ 396,901	\$ 280,331	41.6%
Homes delivered	227	171	32.7%	615	399	54.1%
Average sales price	\$ 667,150	\$ 707,509	(5.7)%	\$ 645,367	\$ 702,584	(8.1)%

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

Homebuilding: Land Sales and Other Revenues

Land sales and other revenues increased \$11.5 million and decreased \$1.3 million for the three and nine months ended July 31, 2024, respectively, compared to the same periods in the prior year. Revenue associated with land sales can vary significantly due to the mix of land parcels sold. There were one and two land sales in the three and nine months ended July 31, 2024, respectively, and zero and two land sales in the three and nine months ended July 31, 2023, respectively. Land sales revenues increased \$13.8 million and decreased \$0.3 million during the three and nine months ended July 31, 2024, respectively, compared to the same periods in the prior year.

Homebuilding: Cost of Sales

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

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

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

(Dollars in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Sale of homes	\$ 687,424	\$ 630,371	\$ 1,947,989	\$ 1,800,724
Cost of sales, excluding interest expense and land charges	535,425	483,990	1,515,258	1,405,712
Homebuilding gross margin, before cost of sales interest expense and land charges	151,999	146,381	432,731	395,012
Cost of sales interest expense, excluding land sales interest expense	20,351	19,271	61,792	54,793
Homebuilding gross margin, after cost of sales interest expense, before land charges	131,648	127,110	370,939	340,219
Land charges	446	308	985	922
Homebuilding gross margin	\$ 131,202	\$ 126,802	\$ 369,954	\$ 339,297
Homebuilding gross margin percentage	19.1%	20.1%	18.9%	18.8%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.1%	23.2%	22.2%	21.9%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	19.2%	20.2%	19.0%	18.9%

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Sale of homes	100.0%	100.0%	100.0%	100.0%
Cost of sales, excluding interest expense and land charges:				
Housing, land and development costs	69.1%	68.1%	68.3%	68.5%
Commissions	3.0%	3.4%	3.3%	3.4%
Financing concessions	2.2%	1.8%	2.3%	2.1%
Overheads	3.6%	3.5%	3.9%	4.1%
Total cost of sales, excluding interest expense and land charges	77.9%	76.8%	77.8%	78.1%
Cost of sales interest	2.9%	3.0%	3.2%	3.0%
Land charges	0.1%	0.1%	0.1%	0.1%
Homebuilding gross margin percentage	19.1%	20.1%	18.9%	18.8%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.1%	23.2%	22.2%	21.9%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	19.2%	20.2%	19.0%	18.9%

We sell a variety of home types in various communities, each yielding a different gross margin. As a result, depending on the mix of communities delivering homes, consolidated gross margin may fluctuate up or down. Total homebuilding gross margin percentage decreased to 19.1% and increased to 18.9% for the three and nine months ended July 31, 2024, respectively, compared to 20.1% and 18.8% for the prior year periods, respectively. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges decreased to 22.1% and increased to 22.2% for the three and nine months ended July 31, 2024, respectively, compared to 23.2% and 21.9% for the three and nine months ended July 31, 2023, respectively. The decrease in gross margin percentage for the three months ended July 31, 2024 was primarily due to increased use of incentives and concessions, including additional mortgage interest rate buydowns, to make our homes more affordable. The increase in gross margin percentage for the nine months ended July 31, 2024 was primarily due to decreases in base construction costs per square foot across each of our segments.

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

(In thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2024	2023	2024	2023
Land and lot sales	\$ 14,230	\$ 429	\$ 15,783	\$ 16,042
Cost of sales, excluding interest	11,907	-	12,789	9,940
Land and lot sales gross margin, excluding interest	2,323	429	2,994	6,102
Land and lot sales interest expense	1,965	1	1,965	926
Land and lot sales gross margin, including interest	\$ 358	\$ 428	\$ 1,029	\$ 5,176

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

Homebuilding: Inventory Impairments and Land Option Write-Offs

Inventory impairments and land option write-offs reflects certain inventories we have either written off or written down to their estimated fair value totaling \$3.1 million and \$0.3 million in expense for the three months ended July 31, 2024 and 2023, respectively, and \$3.6 million and \$0.9 million in expense for the nine months ended July 31, 2024 and 2023, respectively. Inventory impairments amounted to \$2.7 million and zero during the three and nine months ended July 31, 2024 and 2023, respectively. The impairment recorded for fiscal 2024 was for one community in the West segment. We wrote-off residential land option, approval and engineering costs across each of our segments during the first nine months of fiscal 2024 and 2023.

Homebuilding: Selling, General and Administrative

Homebuilding selling, general and administrative (“SGA”) expenses increased \$3.3 million to \$51.0 million for the three months ended July 31, 2024 and increased \$0.3 million to \$146.4 million for the nine months ended July 31, 2024 compared to the same periods in the prior year. The increase for the three and nine months ended July 31, 2024 compared to the same periods in the prior year was primarily due to an increase in selling overhead from higher advertising costs and an increase in total compensation expense as a result of an increase in headcount and bonuses related to positive overall market conditions and specific company performance, slightly offset by an increase in unconsolidated joint venture deliveries, where we receive a management fee on each delivery, which offsets our SGA expenses incurred.

Homebuilding: Key Performance Indicators

Net Contracts Per Average Active Selling Community

Net contracts per average active selling community for the three and nine months ended July 31, 2024 were 10.1 and 32.7, respectively, compared to 13.4 and 32.3 for the same periods in the prior year, respectively. The calculation for the three months ended July 31, 2024 was impacted by the increase in our active selling communities from 102 at July 31, 2023 to 126 at July 31, 2024, however, a significant amount of the community openings occurred during July 2024. Therefore, while the community count used in the calculation increased, the timing of the newly opened communities did not provide the benefit of a full quarter to sell homes therefrom.

Contract Cancellation Rates

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

Quarter	2024	2023	2022	2021	2020
First	14%	30%	14%	17%	19%
Second	14%	18%	17%	16%	23%
Third	17%	16%	27%	16%	18%
Fourth		25%	41%	15%	18%

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

Quarter	2024	2023	2022	2021	2020
First	10%	16%	8%	11%	14%
Second	13%	16%	9%	9%	20%
Third	12%	12%	8%	6%	21%
Fourth		13%	13%	6%	14%

Most cancellations occur within the legal rescission period, which varies by state but is generally less than two weeks after the signing of the contract. Cancellations also occur as a result of a buyer's failure to qualify for a mortgage, which generally occurs during the first few weeks after signing. Due to our solid backlog position, our cancellation rate as a percentage of beginning backlog for the third quarter of fiscal 2024 was 12%, which approximates our historical normal rate. When sales pace is increasing, the cancellation rate as a percentage of beginning backlog tends to lag the changes seen in our cancellation rate as a percentage of gross sales. Market conditions, although improving, still remain uncertain and it is difficult to predict what cancellation rates will be in the future.

Contract Backlog

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

(Dollars in thousands)	Net Contracts for the Three Months Ended July 31,		Net Contracts for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	2024	2023	2024	2023	2024	2023
Northeast:						
Dollars	\$ 260,081	\$ 239,425	\$ 835,809	\$ 685,595	\$ 617,520	\$ 478,477
Number of homes	414	366	1,346	1,090	898	794
Southeast:						
Dollars	\$ 63,990	\$ 155,655	\$ 206,722	\$ 370,800	\$ 147,268	\$ 353,023
Number of homes	114	373	388	812	316	710
West:						
Dollars	\$ 321,722	\$ 349,145	\$ 1,013,424	\$ 888,650	\$ 393,980	\$ 494,758
Number of homes	664	705	2,097	1,807	827	899
Total:						
Dollars	\$ 645,793	\$ 744,225	\$ 2,055,955	\$ 1,945,045	\$ 1,158,768	\$ 1,326,258
Number of homes	1,192	1,444	3,831	3,709	2,041	2,403

Contract backlog dollars decreased 12.6% as of July 31, 2024 compared to July 31, 2023, and the number of homes in backlog decreased 15.1% as of July 31, 2024 compared to July 31, 2023. The decrease in contract backlog dollars and number of homes as of July 31, 2024 compared to July 31, 2023 was primarily driven by an increase in sales of QMI homes and improved contract backlog conversion.

Homebuilding: Operations by Segment

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

	Three Months Ended July 31,			
(Dollars in thousands, except average sales price)	2024	2023	Variance	Variance %
Northeast				
Homebuilding revenue	\$ 255,332	\$ 201,814	\$ 53,518	26.5%
Income before income taxes	\$ 40,006	\$ 29,088	\$ 10,918	37.5%
Homes delivered	404	357	47	13.2%
Average sales price	\$ 630,653	\$ 562,499	\$ 68,154	12.1%
Southeast				
Homebuilding revenue	\$ 115,964	\$ 121,240	\$ (5,276)	(4.4)%
Income before income taxes	\$ 20,449	\$ 23,431	\$ (2,982)	(12.7)%
Homes delivered	231	230	1	0.4%
Average sales price	\$ 501,316	\$ 526,404	\$ (25,088)	(4.8)%
West				
Homebuilding revenue	\$ 330,980	\$ 309,147	\$ 21,833	7.1%
Income before income taxes	\$ 21,009	\$ 27,873	\$ (6,864)	(24.6)%
Homes delivered	620	611	9	1.5%
Average sales price	\$ 511,026	\$ 504,887	\$ 6,139	1.2%
	Nine Months Ended July 31,			
(Dollars in thousands, except average sales price)	2024	2023	Variance	Variance %
Northeast				
Homebuilding revenue	\$ 645,859	\$ 625,323	\$ 20,536	3.3%
Income before income taxes	\$ 107,645	\$ 86,311	\$ 21,334	24.7%
Homes delivered	1,067	1,086	(19)	(1.7)%
Average sales price	\$ 602,138	\$ 573,868	\$ 28,270	4.9%
Southeast				
Homebuilding revenue	\$ 350,761	\$ 296,084	\$ 54,677	18.5%
Income before income taxes	\$ 62,391	\$ 49,902	\$ 12,489	25.0%
Homes delivered	672	545	127	23.3%
Average sales price	\$ 520,537	\$ 542,594	\$ (22,057)	(4.1)%
West				
Homebuilding revenue	\$ 970,671	\$ 898,882	\$ 71,789	8.0%
Income before income taxes	\$ 77,198	\$ 65,981	\$ 11,217	17.0%
Homes delivered	1,862	1,730	132	7.6%
Average sales price	\$ 513,269	\$ 509,705	\$ 3,564	0.7%

Homebuilding Results by Segment

Northeast - Homebuilding revenue increased 26.5% for the three months ended July 31, 2024 compared to the same period in the prior year. The increase for the three months ended July 31, 2024 was attributed to a 13.2% increase in homes delivered and a 12.1% increase in average sales price. The increase in average sales price was the result of new communities delivering higher priced, larger single family homes and townhomes in higher-end submarkets of the segment for the three months ended July 31, 2024 compared to some communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment in the three months ended July 31, 2023, which were no longer delivering in the current year.

Income before income taxes increased \$10.9 million to \$40.0 million for the three months ended July 31, 2024 as compared to the same period in the prior year. This was primarily due the increase in homebuilding revenue discussed above and a \$2.9 million increase in income from unconsolidated joint ventures, slightly offset by a decrease in gross margin percentage.

Homebuilding revenue increased 3.3% for the nine months ended July 31, 2024 compared to the same period in the prior year. The increase for the nine months ended July 31, 2024 was attributed to a 4.9% increase in average sales price, slightly offset by a 1.7% decrease in homes delivered. The increase in average sales price was the result of new communities delivering higher priced, larger single family homes and townhomes in higher-end submarkets of the segment for the nine months ended July 31, 2024 compared to some communities delivering lower priced, smaller single family homes in lower-end submarkets of the segment in the nine months ended July 31, 2023, which were no longer delivering in the current year.

Income before income taxes increased \$21.3 million to \$107.6 million for the nine months ended July 31, 2024 as compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenue discussed above, a \$12.3 million increase in income from unconsolidated joint ventures and a \$3.6 million decrease in SGA, while gross margin percentage was relatively flat.

Southeast - Homebuilding revenue decreased 4.4% for the three months ended July 31, 2024 compared to the same period in the prior year. The decrease was due to a 4.8% decrease in average sales price, partially offset by a 0.4% increase in homes delivered. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment for the three months ended July 31, 2024 compared to some communities delivering higher priced, larger single family homes and townhomes in mid to higher-end submarkets of the segment in the three months ended July 31, 2023, which were no longer delivering in the current year.

Income before income taxes decreased \$3.0 million to \$20.4 million for the three months ended July 31, 2024 compared to the same period in the prior year. This was primarily due to the decrease in homebuilding revenue discussed above, a \$1.5 million increase in SGA and a \$1.1 million decrease in income from unconsolidated joint ventures, while gross margin percentage was relatively flat.

Homebuilding revenue increased 18.5% for the nine months ended July 31, 2024 compared to the same period in the prior year. The increase was due to a 23.3% increase in homes delivered, partially offset by a 4.1% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment in the nine months ended July 31, 2024 compared to some communities for the nine months ended July 31, 2023 that had higher priced, larger single family homes and townhomes in mid to higher-end submarkets, which were no longer delivering in the current year.

Income before income taxes increased \$12.5 million to \$62.4 million for the nine months ended July 31, 2024 compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenue discussed above, and a \$2.2 million increase in income from unconsolidated joint ventures, while gross margin percentage was relatively flat.

West - Homebuilding revenue increased 7.1% for the three months ended July 31, 2024 compared to the same period in the prior year. The increase was due to a \$13.5 million increase in land sales and other revenue and a 1.5% increase in homes delivered, while average sales price increased by 1.2%.

Income before income taxes decreased \$6.9 million to \$21.0 million for the three months ended July 31, 2024 compared to the same period in the prior year. This was primarily due to a \$2.8 million increase in inventory impairments and land option write offs and a decrease in gross margin percentage.

Homebuilding revenue increased 8.0% for the nine months ended July 31, 2024 compared to the same period in the prior year. The increase was due to an 7.6% increase in homes delivered, while average sales price increased by 0.7%.

Income before income taxes increased \$11.2 million to \$77.2 million for the nine months ended July 31, 2024 compared to the same period in the prior year. The increase is primarily due to the increase in homebuilding revenue discussed above, along with a \$1.3 million increase in income from unconsolidated joint ventures and a slight increase in gross margin percentage.

Financial Services

Financial services consists primarily of originating mortgages from our home buyers, selling such mortgages in the secondary market, and title insurance activities. We use mandatory investor commitments and forward sales of mortgage-backed securities (“MBS”) to hedge our mortgage-related interest rate exposure on agency and government loans. For the nine months ended July 31, 2024 and 2023, Federal Housing Administration and Veterans Administration (“FHA/VA”) loans represented 34.1% and 30.4%, respectively, of our total loans. For the nine months ended July 31, 2024 compared to the same period in the prior year, our conforming conventional loan originations as a percentage of our total loans decreased from 68.8% to 65.3%. The origination of loans which exceed conforming conventions decreased from 0.8% to 0.6% for the nine months ended July 31, 2024 compared to the same period in the prior year.

During the three and nine months ended July 31, 2024 and 2023, financial services provided \$6.5 million and \$15.5 million of income before income taxes, respectively, compared to \$4.3 million and \$11.5 million for the same periods in the prior year, respectively. The increase in financial services income before income taxes for the three and nine months ended July 31, 2024 compared to the same periods in the prior year was primarily due to an increase in the volume of loans closed and an increase in the average size of the loans settled. In the markets served by our wholly owned mortgage banking subsidiaries, 81.4% and 70.1% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the three months ended July 31, 2024 and 2023, respectively, and 79.7% and 67.8% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the nine months ended July 31, 2024 and 2023, respectively.

Corporate General and Administrative

Corporate general and administrative expenses include operations at our headquarters in New Jersey. These expenses include payroll, stock compensation, facility costs and rent and other costs associated with our executive offices, legal expenses, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, national and digital marketing, construction services and administration of insurance, quality and safety. Corporate general and administrative expenses increased to \$38.5 million for the three months ended July 31, 2024 compared to \$27.4 million for the three months ended July 31, 2023 and increased to \$108.1 million for the nine months ended July 31, 2024 compared to \$77.9 million for the nine months ended July 31, 2023. The increase for the three months ended July 31, 2024 was primarily due to an increase in compensation expense, mainly related to increased headcount and annual merit increases and by increased expense related to grants of phantom stock awards under our 2019 and 2023 long-term incentive plans, for which expense is impacted by the change in our stock price each period. During the nine months of fiscal 2024, equity awards including phantom stock were also granted under a new long-term incentive program, which increased stock compensation expense compared to the same period in the prior year.

Other Interest

Other interest decreased \$7.2 million to \$6.3 million for the three months ended July 31, 2024 and decreased \$17.4 million to \$25.7 million for the nine months ended July 31, 2024 compared to the same periods in the prior year, respectively. Our assets that qualify for interest capitalization (inventory under development) exceeded our debt during the third quarter of fiscal 2024, therefore, all of the related interest incurred during fiscal 2024 qualified for interest capitalization instead of being directly expensed. Also, contributing to the decrease in Other interest for the three and nine months ended July 31, 2024, was the reduction in principal of our senior notes as a result of redemptions during fiscal 2023 and the first quarter of fiscal 2024, and the debt exchange executed in the third quarter of fiscal 2024.

Gain on Extinguishment of Debt, Net

On November 15, 2023, K. Hovnanian redeemed in full all of the \$113.5 million aggregate principal amount of its 10.0% Senior Secured 1.75 Lien Notes due 2025 for a redemption price of \$119.2 million, which included accrued and unpaid interest. This redemption resulted in a gain on extinguishment of debt of \$1.4 million for the nine months ended July 31, 2024, including the write-off of unamortized premium, debt issuance costs and fees.

Income from Unconsolidated Joint Ventures

Income from unconsolidated joint ventures consists of our share of the earnings or losses of our unconsolidated joint ventures. Income from unconsolidated joint ventures increased \$2.3 million to \$10.7 million for the three months ended July 31, 2024 and increased \$15.8 million to \$36.8 million for the nine months ended July 31, 2024 compared to the same periods in the prior year, respectively. The increase for the three and nine months ended July 31, 2024 compared to the same periods of the prior year was primarily due to the recognition of additional income from three of our unconsolidated joint ventures; because the joint venture partner achieved certain return hurdles, the Company was able to recognize a higher share of the unconsolidated joint ventures' income than it had in the prior year.

Income Taxes

Income tax expense for the three and nine months ended July 31, 2024 was \$24.4 million and \$51.6 million, respectively, and \$14.6 million and \$25.9 million for the same periods in the prior year, respectively. For both the three and nine months ended July 31, 2024, and both prior year periods, the expense was primarily driven by federal and state tax expense on income before income taxes and permanent differences, partially offset by the generation of energy efficient home tax credits. Income tax expense for the three and nine months ended July 31, 2024 was impacted by discrete net tax expenses related to the gain on consolidation of a joint venture, cancellation of debt income from the debt exchanges executed in the third quarter of fiscal 2024 and stock-based compensation as a result of current period activity. The state tax expense for the three and nine months ended July 31, 2023 included the release of a valuation allowance as a result of a change in tax law. The federal tax expense is not paid in cash as it is offset by the use of our existing NOL carryforwards.

Capital Resources and Liquidity

Overview

Our total liquidity at July 31, 2024 was \$251.3 million, including \$122.0 million in homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility. We believe that our cash on hand together with available borrowings on our senior secured revolving credit facility will be sufficient for at least the next 12 months to finance our working capital requirements.

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

Operating, Investing and Financing Cash Flow Activities

We spent \$677.0 million on land and land development during the first three quarters of fiscal 2024, along with \$113.5 million for the redemption of our 10.0% Senior Secured 1.75 Lien Notes due 2025. After land and land development spending and all other operating activities, including revenue received from deliveries, cash used in operations was \$92.2 million. During the first three quarters of fiscal 2024, cash used in investing activities was \$40.3 million, primarily due to a new joint venture entered into during the second quarter of fiscal 2024, along with spending on capitalized software, partially offset by distributions of capital from existing unconsolidated joint ventures. Cash used in financing activities was \$161.2 million during the first three quarters of fiscal 2024, which in addition to the \$113.5 million debt redemption mentioned above, was primarily due to cash payments of \$31.5 million related to the May 2024 debt exchange, net payments for nonrecourse mortgage financings, treasury stock purchases and payments of preferred dividends, partially offset by net proceeds related to our mortgage warehouse lines of credit, and net proceeds for land banking financings and model sale leaseback financings. We intend to continue to use nonrecourse mortgages, model sale leasebacks, joint ventures, and, subject to covenant restrictions in our debt instruments, land banking programs as our business needs dictate.

Our cash uses during the nine months ended July 31, 2024 and 2023 were for operating expenses, land purchases, land deposits, land development, construction spending, investments in unconsolidated joint ventures, land banking transactions, state income taxes, debt reductions, interest payments, preferred dividends, treasury stock purchases and litigation matters. During these periods, we provided for our cash requirements from available cash on hand, housing and land sales, nonrecourse mortgage transactions, income from unconsolidated joint ventures, financial service revenues and other revenues.

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

Debt Transactions

Senior notes and credit facilities balances as of July 31, 2024 and October 31, 2023, were as follows:

(In thousands)	July 31, 2024	October 31, 2023
Senior Secured Notes	\$ 655,000	\$ 768,502
Senior Notes (1)	51,556	180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027 (1)	-	39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028 (1)	175,000	81,498
Senior Secured Revolving Credit Facility (2)	-	-
Less: Net (discounts), premiums and unamortized debt issuance costs	17,193	(18,770)
Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs	\$ 898,749	\$ 1,051,491

(1) On May 21, 2024, K. Hovnanian exchanged \$64.0 million aggregate principal amount of 13.5% Senior Notes due February 1, 2026 and cash, \$65.2 million aggregate principal amount of 5.0% Senior Notes due February 1, 2040 and all of its \$39.6 million aggregate principal amount of loans under the Senior Unsecured Term Loan Credit Facility due February 1, 2027 and cash for an additional \$93.5 million aggregate principal amount of loans under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028.

(2) At July 31, 2024, provides for up to \$125.0 million in aggregate amount of senior secured first lien revolving loans. The revolving loans thereunder have a maturity of June 30, 2026 and borrowings bear interest, at K. Hovnanian's option, at either (i) a term secured overnight financing rate (subject to a floor of 3.00%) plus an applicable margin of 4.50% or (ii) an alternate base rate (subject to a floor of 4.00%) plus an applicable margin of 3.50%. In addition, K. Hovnanian will pay an unused commitment fee on the undrawn revolving commitments at a rate of 1.00% per annum.

Except for K. Hovnanian, the issuer of the notes and borrower under the credit agreements governing our term loans and revolving credit facilities (collectively, the "Credit Facilities"), our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, we and each of our subsidiaries are guarantors of the Credit Facilities, the senior secured notes and senior notes outstanding at July 31, 2024 (collectively, the "Notes Guarantors").

The credit agreements governing the Credit Facilities and the indentures governing the senior secured and senior notes (together with the Credit Facilities, the "Debt Instruments") outstanding at July 31, 2024 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the ability of HEI and certain of its subsidiaries, including K. Hovnanian, to incur (including through exchange or certain other types of transactions) indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase common and preferred stock, make other restricted payments (including investments), sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of their assets and enter into certain transactions with affiliates. The Debt Instruments also contain customary events of default which would permit the lenders or holders thereof to exercise remedies with respect to the collateral (as applicable), declare the loans (the "Unsecured Term Loans") made under the Senior Unsecured Term Loan Credit Facility due February 1, 2027, loans (the "Secured Term Loans") made under the Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028, and loans (the "Secured Revolving Loans") made under the Senior Secured Revolving Credit Agreement due June 30, 2026, or notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Unsecured Term Loans, Secured Term Loans, Secured Revolving Loans or notes or other material indebtedness, cross default to other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency, with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, material inaccuracy of representations and warranties and with respect to the Unsecured Term Loans, Secured Term Loans and Secured Revolving Loans, a change of control, and, with respect to the Secured Term Loans, Secured Revolving Loans and senior secured notes, the failure of the documents granting security for the obligations under the secured Debt Instruments to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the obligations under the secured Debt Instruments to be valid and perfected. As of July 31, 2024, we believe we were in compliance with the covenants of the Debt Instruments.

If our consolidated fixed charge coverage ratio is less than 2.0 to 1.0, as defined in the applicable Debt Instrument, we are restricted from making certain payments and dividends (in the case of certain of such payments, our secured debt leverage ratio must also be less than 4.0 to 1.0), and from incurring indebtedness other than certain permitted indebtedness and nonrecourse indebtedness. Beginning as of October 31, 2021, as a result of our improved operating results, we were no longer restricted from paying dividends. As such, we have made dividend payments of \$2.7 million to preferred shareholders in every quarter since the first quarter of fiscal 2022. We currently believe our ratios will permit us to continue to make dividend payments on our preferred stock. However, with general economic uncertainty, it is difficult to predict long-term market conditions and the effects on our business and if and when we may be restricted under our Debt Instruments from continuing to pay dividends on our Series A preferred stock. Dividends on the Series A preferred stock are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Series A preferred stock for a quarterly dividend period (regardless of our availability of funds), holders of the Series A Preferred Stock will have no right to receive a dividend for that period, and we will have no obligation to pay a dividend for that period.

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

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

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

Mortgages and Notes Payable

We have nonrecourse mortgage loans for certain communities totaling \$115.4 million and \$91.5 million, net of debt issuance costs, at July 31, 2024 and October 31, 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$336.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 9.1% and 8.5% at July 31, 2024 and October 31, 2023, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries.

Our wholly owned mortgage banking subsidiary, K. Hovnanian American Mortgage, LLC ("K. Hovnanian Mortgage"), originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are sold in the secondary mortgage market within a short period of time. K. Hovnanian Mortgage finances the origination of mortgage loans through various master repurchase agreements, which are recorded in "Financial services" liabilities on the Condensed Consolidated Balance Sheets. The loans are secured by the mortgages held for sale and are repaid when we sell the underlying mortgage loans to permanent investors. As of July 31, 2024 and October 31, 2023, we had an aggregate of \$134.4 million and \$110.8 million, respectively, outstanding under several of K. Hovnanian Mortgage's short-term borrowing facilities.

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

Equity

On September 1, 2022, our Board of Directors authorized a repurchase program for up to \$50.0 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date.

During the nine months ended July 31, 2024, we repurchased 188,800 shares under the stock repurchase program, with a market value of \$26.5 million, or \$140.31 per share, and during the nine months ended July 31, 2023, we repurchased 118,478 shares, with a market value of \$4.8 million, or \$40.51 per share. As of July 31, 2024, \$6.5 million of our Class A common stock is available to be purchased under the stock repurchase program.

On July 12, 2005, we issued 5,600 shares of 7.625% Series A preferred stock, with a liquidation preference of \$25,000 per share. Dividends on the Series A preferred stock are not cumulative and are payable at an annual rate of 7.625%. The Series A preferred stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A preferred stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A preferred stock. We paid dividends of \$2.7 million and \$8.0 million on the Series A preferred stock for the three and nine months ended July 31, 2024 and 2023, respectively.

Unconsolidated Joint Ventures

We have investments in unconsolidated joint ventures in various markets where our homebuilding operations are located. Investments in and advances to unconsolidated joint ventures increased \$28.4 million to \$126.3 million at July 31, 2024 compared to October 31, 2023. The increase was primarily due a new joint venture entered into during the second quarter of fiscal 2024, along with increases in our share of income recognized for three of our existing unconsolidated joint ventures during the period, partially offset by the consolidation of a previously unconsolidated joint venture in the third quarter of fiscal 2024, and partner distributions. As of July 31, 2024 and October 31, 2023, we had investments in six and seven unconsolidated homebuilding joint ventures and one unconsolidated land development joint venture, respectively. We have no guarantees associated with our unconsolidated joint ventures, other than guarantees limited to performance and completion of development activities, environmental indemnification and standard warranty and representation against fraud, misrepresentation and similar actions, including a voluntary bankruptcy.

Inventories

Total inventory, excluding consolidated inventory not owned, increased \$309.6 million to \$1.4 billion at July 31, 2024 compared to October 31, 2023. Total inventory, excluding consolidated inventory not owned, increased by \$114.2 million in the West, \$5.3 million in the Southeast and \$190.1 million in the Northeast. The increases were primarily attributable to new land purchases and land development during the period, partially offset by home deliveries. In the last few years, we have been able to acquire new land parcels at prices that we believe will generate reasonable returns under current homebuilding market conditions. This trend may not continue in either the near or the long term. Substantially all homes under construction or completed and included in inventory at July 31, 2024 are expected to be delivered during the next six to nine months.

Consolidated inventory not owned, which consists of options related to land banking and model financing, decreased \$8.3 million from October 31, 2023 to July 31, 2024. The decrease was primarily due to a decrease in land banking transactions, partially offset by an increase in the sale and leaseback of certain model homes during the period. We have land banking arrangements, whereby we sell land parcels to land bankers and they provide us with an option to purchase finished lots on a predetermined schedule. On our Condensed Consolidated Balance Sheet, at July 31, 2024, inventory of \$167.5 million was recorded to "Consolidated inventory not owned," with a corresponding amount of \$86.2 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from land banking transactions. We also sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third-party at the end of the respective lease. On our Condensed Consolidated Balance Sheet, at July 31, 2024, inventory of \$48.9 million was recorded to "Consolidated inventory not owned," with a corresponding amount of \$49.4 million (net of debt issuance costs) recorded to "Liabilities from inventory not owned" for the amount of net cash received from sale and leaseback transactions.

The following tables summarize home sites included in our total residential real estate. The increase in total home sites available at July 31, 2024 compared to October 31, 2023 is attributable to increased community count and acquiring new land parcels during the period, partially offset by delivering homes and terminating certain option agreements.

	Active Selling Communities(1)	Active Selling Communities Homes	Proposed Developable Homes	Total Homes
July 31, 2024:				
Northeast	42	4,687	13,740	18,427
Southeast	10	1,635	5,239	6,874
West	74	6,590	7,637	14,227
Consolidated total	126	12,912	26,616	39,528
Unconsolidated joint ventures (2)				
Owned		5,736	1,444	7,180
Optioned		7,164	25,172	32,336
Construction to permanent financing lots		12	-	12
Consolidated total		12,912	26,616	39,528
October 31, 2023:				
Northeast	41	4,096	10,065	14,161
Southeast	12	1,247	4,688	5,935
West	60	6,550	5,108	11,658
Consolidated total	113	11,893	19,861	31,754
Unconsolidated joint ventures (2)				
Owned		6,114	1,223	7,337
Optioned		5,751	18,638	24,389
Construction to permanent financing lots		28	-	28
Consolidated total		11,893	19,861	31,754

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

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

The following table summarizes our started or completed unsold homes and models, excluding unconsolidated joint ventures, in active selling communities and substantially completed communities.

	July 31, 2024			October 31, 2023		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	242	34	276	159	41	200
Southeast	96	19	115	99	16	115
West	667	20	687	570	24	594
Total	1,005	73	1,078	828	81	909
Started or completed unsold homes and models per active selling communities (1)	8.0	0.6	8.6	7.3	0.7	8.0

(1) Active selling communities (which are communities that are open for sale with ten or more home sites available) were 126 at July 31, 2024 and 113 at October 31, 2023. This ratio does not include substantially completed communities, which are communities with less than ten home sites available.

Financial Services Assets and Liabilities

Financial services assets increased \$37.7 million to \$206.4 million at July 31, 2024, compared to October 31, 2023. Financial services assets consist primarily of residential mortgage receivables held for sale of which \$145.9 million and \$127.6 million at July 31, 2024 and October 31, 2023, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. The increase in mortgage loans held for sale from October 31, 2023 was primarily related to an increase in the volume of loans originated during the third quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023, along with an increase in the average loan value.

Financial services liabilities increased \$37.8 million to \$186.0 million at July 31, 2024 compared to October 31, 2023. The increase was primarily due to an increase in amounts outstanding under our mortgage warehouse lines of credit and directly correlates to the increase in the volume of mortgage loans held for sale during the period.

Inflation

The annual rate of inflation in the United States was 2.9% in July 2024, as measured by the Consumer Price Index, which is much improved from its peak of 9.1% in June 2022. Inflation has a long-term effect, because higher costs for land, materials and labor results in increasing sales prices of our homes. Historically, these price increases have been commensurate with the general rate of inflation in our housing markets and have not had a significant adverse effect on the sale of our homes. A significant risk faced by the housing industry generally is that rising house construction costs, including land and interest costs, could substantially outpace increases in the income of potential purchasers and therefore limit our ability to raise home sale prices, which may result in lower gross margins.

Inflation has a lesser short-term effect, because we generally negotiate fixed-price contracts with many, but not all, of our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between three to 12 months. Construction costs for residential buildings represented approximately 53.0% of our homebuilding cost of sales for the nine months ended July 31, 2024.

Critical Accounting Policies

As disclosed in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023, our most critical accounting policies relate to inventories, unconsolidated joint ventures, warranty and construction defect reserves and income taxes. Since October 31, 2023, there have been no significant changes to those critical accounting policies.

Safe Harbor Statement

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

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

Certain risks, uncertainties and other factors are described in detail in Part I, Item 1 "Business" and Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report on Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Substantially all of our long-term debt requires fixed interest payments and we have limited exposure to variable rates. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse lines of credit under our Master Repurchase Agreements are subject to interest rate risk; however, such obligations reprice frequently and are short-term in duration. In addition, we are able to hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the interest rate risk from mortgage loans is not significant. We do not use financial instruments to hedge interest rate risk except with respect to mortgage loans. The following table sets forth as of July 31, 2024, our long-term debt obligations, principal cash flows by scheduled maturity, weighted-average interest rates and estimated fair value ("FV").

Long-Term Debt as of July 31, 2024 by Fiscal Year of Maturity Date

(Dollars in thousands)	2024	2025	2026	2027	2028	Thereafter	Total	FV at 7/31/2024
Long term debt(1):								
Fixed rate	\$ -	\$ -	\$ 26,588	\$ -	\$ 400,000	\$ 454,968	\$ 881,556	\$ 936,984
Weighted average interest rate	-%	-%	13.50%	-%	8.88%	11.38%	10.31%	

(1) Does not include:

- the mortgage warehouse lines of credit made under our Master Repurchase Agreements;
- \$115.4 million of nonrecourse mortgages secured by inventory, which have various maturities spread over the next two to three years and are paid off as homes are delivered; and
- our \$125.0 million Secured Credit Facility under which there were no borrowings outstanding as of July 31, 2024.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 31, 2024. Based upon that evaluation and subject to the foregoing, the Company's chief executive officer and chief financial officer concluded that the design and operation of the Company's disclosure controls and procedures are effective to accomplish their objectives.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended July 31, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. LEGAL PROCEEDINGS**

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

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**Recent Sales of Unregistered Equity Securities**

None.

Issuer Purchases of Equity Securities

On September 1, 2022, our Board of Directors authorized a repurchase program for up to \$50.0 million of our Class A common stock. Under the program, repurchases may be made from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing and the actual dollar amount repurchased will depend on a variety of factors, including legal requirements, price, future tax implications and economic and market conditions. The repurchase program may be changed, suspended or discontinued at any time and does not have a specified expiration date. As of July 31, 2024, \$6.5 million of our Class A common stock is available to be purchased under the stock repurchase program.

The following table provides information relating to the company's repurchase of common stock for the third quarter of fiscal 2024.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased of Part of Publicly Announced Plans or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program
May 1, 2024 through May 31, 2024	-	-	-	\$17,977,646
June 1, 2024 through June 30, 2024	9,705	\$141.77	9,705	\$16,601,795
July 1, 2024 through July 31, 2024	73,048	\$138.46	73,048	\$6,487,677

Item 5. OTHER INFORMATION

During the three months ended July 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. EXHIBITS

- 3(a) [Restated Certificate of Incorporation of the Registrant \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 3(b) [Second Amended and Restated Bylaws of the Registrant \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 28, 2023\).](#)
- 4(a) [Specimen Class A Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 4(b) [Specimen Class B Common Stock Certificate \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on March 29, 2019\).](#)
- 4(c) [Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated July 12, 2005 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on July 13, 2005\).](#)
- 4(d) [Certificate of Designations of the Series B Junior Preferred Stock of Hovnanian Enterprises, Inc., dated August 14, 2008 \(Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q of the Registrant for the quarter ended July 31, 2008\).](#)
- 4(e) [Rights Agreement, dated as of August 14, 2008, between Hovnanian Enterprises, Inc. and National City Bank, as Rights Agent, which includes the Form of Certificate of Designation as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C \(Incorporated by reference to Exhibits to the Registration Statement on Form 8-A of the Registrant filed on August 14, 2008\).](#)
- 4(f) [Amendment No. 1 to Rights Agreement, dated as of January 11, 2018, between Hovnanian Enterprises, Inc. and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed on January 11, 2018\).](#)
- 4(g) [Amendment No. 2 to Rights Agreement, dated as of January 18, 2021, between the Company and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 19, 2021\).](#)
- 4(h) [Amendment No. 3 to Rights Agreement, dated as of January 11, 2024, between the Company and Computershare Trust Company, N.A. \(as successor to National City Bank\), as Rights Agent, which includes the amended and restated Form of Rights Certificate as Exhibit 1 and the amended and restated Summary of Rights as Exhibit 2 \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed January 11, 2024\).](#)
- 10(a) [First Amendment to the Credit Agreement, dated as of May 21, 2024, in respect of the Credit Agreement, dated as of December 10, 2019, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the subsidiary guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto. \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 22, 2024\).](#)

Table of Content

- 10(b)* [Form of 2024 Performance Share Unit Agreement EBIT Class A.](#)
- 10(c)* [Form of 2024 Performance Share Unit Agreement EBIT Class B.](#)
- 10(d)* [Form of 2024 Performance Share Unit Agreement EBIT ROI Class A.](#)
- 10(e)* [Form of 2024 Performance Share Unit Agreement EBIT ROI Class A.](#)
- 10(f)* [Form of 2024 Associate Restricted Share Unit Agreement Class A.](#)
- 10(g)* [Form of 2024 Director Restricted Share Unit Agreement Class A.](#)
- 31(a) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- 31(b) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- 32(a) [Section 1350 Certification of Chief Executive Officer.](#)
- 32(b) [Section 1350 Certification of Chief Financial Officer.](#)
- 101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended July 31, 2024, formatted in inline Extensible Business Reporting Language (Inline XBRL): (i) the Condensed Consolidated Balance Sheets at July 31, 2024 and October 31, 2023, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended July 31, 2024 and 2023, (iii) the Condensed Consolidated Statements of Changes in Equity for the three and nine months ended July 31, 2024 and 2023, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2024 and 2023, and (v) the Notes to Condensed Consolidated Financial Statements.
- 104 Cover Page from our Quarterly Report on Form 10-Q for the three months ended July 31, 2024, formatted in Inline XBRL (and contained in Exhibit 101).

* Management contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: August 30, 2024

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian

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

DATE: August 30, 2024

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

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

PERFORMANCE SHARE UNIT AGREEMENT
(EBIT Performance Vesting)

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

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

2. Vesting and Timing of Transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

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

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

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

PERFORMANCE SHARE UNIT AGREEMENT
(EBIT Performance Vesting)

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

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

2. Vesting and Timing of Transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

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

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

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

PERFORMANCE SHARE UNIT AGREEMENT
(EBIT ROI Performance Vesting)

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

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

2. Vesting and Timing of Transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

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

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

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

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

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

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

2. Vesting and Timing of Transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

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

Exhibit A

[Insert Performance Metrics for Determining Earned PSUs]

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

RESTRICTED SHARE UNIT AGREEMENT

Participant: _____ *Date of Grant:* _____

Number of RSUs: _____

Dates of Vesting of Class A Shares:

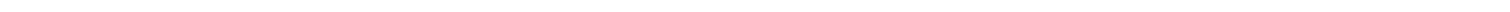
<u>Date</u>	<u>Number of RSUs</u>
_____	_____
_____	_____
_____	_____
_____	_____

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the RSUs in accordance with the schedule set forth above; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the RSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable vesting date, a number of Class A Shares equal to the number of RSUs that became vested on that vesting date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.



(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, the Company shall cause there to be transferred to the Participant, as soon as practicable but not later than 60 days after such termination, but subject to Section 16 of this Agreement, a number of Shares equal to the aggregate number of then unvested RSUs granted to the Participant under this Agreement. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

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

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement or (ii) under the circumstances described in clause (f) below, any unvested RSUs shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the RSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as applicable to a termination due to death or Disability as described under Section 2(c) above. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

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

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

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

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

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

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

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

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

11. Non-Solicitation Covenants.

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

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

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

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

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

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

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

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

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

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

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

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT¹

By: _____

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

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

**RESTRICTED SHARE UNIT AGREEMENT
(Directors)**

Participant: _____ *Date of Grant:* _____

Number of RSUs: _____

Date of Vesting of Class A Shares: _____

Date _____ *Number of RSUs* _____

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnianian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2020 Company Third Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the RSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date").

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

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant ceases to be a member of the Board of Directors due to (i) death, (ii) Disability or (iii) Retirement (any such termination, a "Qualified Termination"), any previously unvested RSUs shall become fully vested and the Shares underlying all of the Participant's outstanding RSUs shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s). In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination as a member of the Board of Directors on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company immediately preceding such termination. For this purpose, "Service" means the period of service as a member of the Board of Directors immediately preceding Retirement, plus any prior periods of service as a member of the Board of Directors of one or more years' duration, unless they were succeeded by a period of non-service as a member of the Board of Directors of at least three years' duration.

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

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the date that the Participant ceases to be a member of the Board of Directors for any reason other than death, Disability or Retirement, any unvested RSUs shall immediately terminate for no further consideration.

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

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

5. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Board and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms).

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

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

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

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

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

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

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

13. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this RSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

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

HOVNANIAN ENTERPRISES, INC.

By: _____

PARTICIPANT

By: _____

CERTIFICATIONS
Exhibit 31(a)

I, Ara K. Hovnanian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2024 of Hovnanian Enterprises, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 30, 2024

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, President and Chief Executive Officer

CERTIFICATIONS
Exhibit 31(b)

I, Brad O'Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2024 of Hovnanian Enterprises, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2024

/s/BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer

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 Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 30, 2024

/s/ARA K. HOVNANIAN

Ara K. Hovnanian

Chairman, 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 Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad O'Connor, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 30, 2024

/s/BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer