

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 April 30, 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. 5,316,323 shares of Class A Common Stock and 676,175 shares of Class B Common Stock were outstanding as of May 28, 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)

	April 30, 2024	October 31, 2023
<b>ASSETS</b>		
Homebuilding:		
Cash and cash equivalents	\$ 181,966	\$ 434,119
Restricted cash and cash equivalents	8,370	8,431
Inventories:		
Sold and unsold homes and lots under development	1,135,232	998,841
Land and land options held for future development or sale	138,641	125,587
Consolidated inventory not owned	143,185	224,758
Total inventories	1,417,058	1,349,186
Investments in and advances to unconsolidated joint ventures	150,674	97,886
Receivables, deposits and notes, net	24,975	27,982
Property and equipment, net	39,593	33,946
Prepaid expenses and other assets	72,747	69,886
Total homebuilding	1,895,383	2,021,436
Financial services	142,559	168,671
Deferred tax assets, net	279,704	302,833
Total assets	\$ 2,317,646	\$ 2,492,940
<b>LIABILITIES AND EQUITY</b>		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$ 85,557	\$ 91,539
Accounts payable and other liabilities	379,367	415,480
Customers' deposits	45,619	51,419
Liabilities from inventory not owned, net of debt issuance costs	86,618	124,254
Senior notes and credit facilities (net of discounts, premiums and debt issuance costs)	932,957	1,051,491
Accrued interest	18,220	26,926
Total homebuilding	1,548,338	1,761,109
Financial services	122,262	148,181
Income taxes payable	-	1,861
Total liabilities	1,670,600	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 April 30, 2024 and October 31, 2023	135,299	135,299
Common stock, Class A, \$0.01 par value - authorized 16,000,000 shares; issued 6,288,200 shares at April 30, 2024 and 6,247,308 shares at October 31, 2023	63	62
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) - authorized 2,400,000 shares; issued 736,593 shares at April 30, 2024 and 776,750 shares at October 31, 2023	7	8
Paid in capital - common stock	747,001	735,946
Accumulated deficit	(87,795)	(157,197)
Treasury stock - at cost - 1,007,426 shares of Class A common stock at April 30, 2024 and 901,379 shares at October 31, 2023; 27,669 shares of Class B common stock at April 30, 2024 and October 31, 2023	(147,529)	(132,382)
Total Hovnanian Enterprises, Inc. stockholders' equity	647,046	581,736
Noncontrolling interest in consolidated joint ventures	-	53
Total equity	647,046	581,789
Total liabilities and equity	\$ 2,317,646	\$ 2,492,940

See notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Homebuilding:				
Sale of homes	\$ 686,929	\$ 670,708	\$ 1,260,565	\$ 1,170,353
Land sales and other revenues	4,284	18,750	9,576	22,307
Total homebuilding	691,213	689,458	1,270,141	1,192,660
Financial services	17,167	14,203	32,435	26,367
Total revenues	708,380	703,661	1,302,576	1,219,027
<b>Expenses:</b>				
Homebuilding:				
Cost of sales, excluding interest	531,502	540,622	980,715	931,662
Cost of sales interest	21,543	21,425	41,441	36,447
Inventory impairments and land option write-offs	237	137	539	614
Total cost of sales	553,282	562,184	1,022,695	968,723
Selling, general and administrative	46,489	50,456	95,426	98,374
Total homebuilding expenses	599,771	612,640	1,118,121	1,067,097
Financial services	12,023	10,152	23,494	19,205
Corporate general and administrative	32,517	25,079	69,650	50,569
Other interest	8,969	14,501	19,420	29,594
Other (income) expenses, net	(3,128)	574	(2,577)	960
Total expenses	650,152	662,946	1,228,108	1,167,425
Gain on extinguishment of debt, net	-	-	1,371	-
Income from unconsolidated joint ventures	11,164	5,408	26,116	12,568
Income before income taxes	69,392	46,123	101,955	64,170
State and federal income tax provision:				
State	5,231	1,083	7,437	3,294
Federal	13,325	10,894	19,778	8,014
Total income taxes	18,556	11,977	27,215	11,308
Net income	50,836	34,146	74,740	52,862
Less: preferred stock dividends	2,669	2,669	5,338	5,338
Net income available to common stockholders	\$ 48,167	\$ 31,477	\$ 69,402	\$ 47,524
<b>Per share data:</b>				
Basic:				
Net income per common share	\$ 7.12	\$ 4.68	\$ 10.22	\$ 7.05
Weighted-average number of common shares outstanding	6,457	6,166	6,477	6,176
Assuming dilution:				
Net income per common share	\$ 6.66	\$ 4.47	\$ 9.57	\$ 6.74
Weighted-average number of common shares outstanding	6,902	6,462	6,920	6,463

See notes to condensed consolidated financial statements (unaudited).

HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
THREE AND SIX MONTH PERIODS ENDED APRIL 30, 2024  
(In thousands, except share data)  
(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Accumulated Deficit	Treasury Stock	Noncontrolling Interest	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2023	5,345,929	\$ 62	749,081	\$ 8	5,600	\$ 135,299	\$ 735,946	\$ (157,197)	\$ (132,382)	\$ 53	\$ 581,789
Stock options, amortization and issuances	615						46				46
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures							4,071				4,071
Conversion of Class B to Class A common stock	16		(16)								-
Changes in noncontrolling interest in consolidated joint ventures										(53)	(53)
Net income								23,904			23,904
Balance, January 31, 2024	5,346,560	\$ 62	749,065	\$ 8	5,600	\$ 135,299	\$ 740,063	\$ (135,962)	\$ (132,382)	\$ -	\$ 607,088
Stock options, amortization and issuances	120						(4)				(4)
Preferred dividend declared (\$476.56 per share)								(2,669)			(2,669)
Restricted stock amortization, issuances and forfeitures							6,942				6,942
Conversion of Class B to Class A common stock	40,141	1	(40,141)	(1)							-
Share repurchases	(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

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
THREE AND SIX MONTH PERIODS ENDED APRIL 30, 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

See notes to condensed consolidated financial statements (unaudited).

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

	Six Months Ended April 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income	\$ 74,740	\$ 52,862
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,612	5,924
Stock-based compensation	11,018	4,235
Amortization of debt discounts, premiums and deferred financing costs	570	722
(Gain) loss on sale of property and assets	(958)	15
Income from unconsolidated joint ventures	(26,116)	(12,568)
Distributions of earnings from unconsolidated joint ventures	1,688	4,522
Gain on extinguishment of debt	(1,371)	-
Noncontrolling interest in consolidated joint ventures	-	11
Inventory impairments and land option write-offs	539	614
(Increase) decrease in assets:		
Inventories	(68,411)	48,453
Receivables, deposits and notes	(1,920)	4,516
Origination of mortgage loans	(681,335)	(516,798)
Sale of mortgage loans	714,495	548,722
Deferred tax assets	23,129	8,101
Decrease in liabilities:		
Accounts payable, accrued interest and other liabilities	(41,694)	(77,536)
Customers' deposits	(5,800)	(2,661)
State income tax payable	(2,087)	(3,167)
<b>Net cash provided by operating activities</b>	<b>99</b>	<b>65,967</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and assets	1,000	93
Purchase of property, equipment, and other fixed assets	(9,883)	(8,169)
Investment in and advances to unconsolidated joint ventures, net of reimbursements	(32,480)	(20,042)
Distributions of capital from unconsolidated joint ventures	4,163	7,663
<b>Net cash used in investing activities</b>	<b>(37,200)</b>	<b>(20,455)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from mortgages and notes	151,283	152,519
Payments related to mortgages and notes	(157,996)	(163,190)
Proceeds from model sale leaseback financing programs	-	11,830
Payments related to model sale leaseback financing programs	(12,111)	(5,587)
Proceeds from land bank financing programs	25,854	30,335
Payments related to land bank financing programs	(51,813)	(39,063)
Net payments related to mortgage warehouse lines of credit	(29,103)	(31,879)
Payments related to senior secured notes	(113,502)	-
Preferred dividends paid	(5,338)	(5,338)
Treasury stock purchases	(15,147)	(4,800)
Deferred financing costs from land banking financing programs and note issuances	(1,624)	(1,815)
<b>Net cash used in financing activities</b>	<b>(209,497)</b>	<b>(56,988)</b>
Net decrease in cash and cash equivalents, and restricted cash and cash equivalents	(246,598)	(11,476)
Cash and cash equivalents, and restricted cash and cash equivalents balance, beginning of period	477,519	382,190
<b>Cash and cash equivalents, and restricted cash and cash equivalents balance, end of period</b>	<b>\$ 230,921</b>	<b>\$ 370,714</b>
<b>Supplemental disclosures of cash flows:</b>		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 30,302	\$ 27,098
Income taxes	\$ 6,173	\$ 6,888
<b>Reconciliation of Cash, cash equivalents and restricted cash</b>		
Homebuilding: Cash and cash equivalents	\$ 181,966	\$ 333,254
Homebuilding: Restricted cash and cash equivalents	8,370	7,916
Financial Services: Cash and cash equivalents, included in financial services assets	4,729	3,790
Financial Services: Restricted cash and cash equivalents, included in financial services assets	35,856	25,754
<b>Total cash, cash equivalents and restricted cash shown in the statements of cash flows</b>	<b>\$ 230,921</b>	<b>\$ 370,714</b>

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

**Supplemental disclosure of non-cash operating and investing 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.

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 six months ended April 30, 2024, stock-based compensation expense was \$6.9 million (\$5.1 million net of tax) and \$11.0 million (\$8.1 million net of tax), respectively. For the three and six months ended April 30, 2023, stock-based compensation expense was \$2.2 million (\$1.6 million net of tax) and \$4.2 million (\$3.5 million net of tax), respectively.

### 3. Interest

Interest costs incurred, expensed and capitalized were as follows:

(In thousands)	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Interest capitalized at beginning of period	\$ 53,672	\$ 60,795	\$ 52,060	\$ 59,600
Plus interest incurred(1)	34,530	35,122	66,491	69,448
Less cost of sales interest expensed	(21,543)	(21,425)	(41,441)	(36,447)
Less other interest expensed(2)	(8,969)	(14,501)	(19,420)	(29,594)
Less interest contributed to unconsolidated joint venture(3)	(5,468)	-	(5,468)	(3,016)
Plus interest acquired from unconsolidated joint venture(4)	-	283	-	283
Interest capitalized at end of period(5)	\$ 52,222	\$ 60,274	\$ 52,222	\$ 60,274

(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) do not exceed our debt, which amounted to \$1.7 million and \$5.3 million for the three months ended April 30, 2024 and 2023, respectively, and \$5.4 million and \$11.8 million for the six months ended April 30, 2024 and 2023, respectively. 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 \$7.3 million and \$9.2 million for the three months ended April 30, 2024 and 2023, respectively, and \$14.1 million and \$17.8 million for the six months ended April 30, 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 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 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 423 and 359 communities under development and held for future development or sale at April 30, 2024 and 2023, respectively, which we evaluated for impairment indicators. We did not identify impairment indicators (i.e., those with a projected operating loss) for any community during the first half of fiscal 2024 and 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 \$0.2 million and \$0.1 million for the three months ended April 30, 2024 and 2023, respectively, and \$0.5 million and \$0.6 million for the six months ended April 30, 2024 and 2023, respectively. The number of lots walked away from during the three months ended April 30, 2024 and 2023 were 342 and 215, respectively, and 1,270 and 2,397 during the six months ended April 30, 2024 and 2023, respectively. Walk-aways during the first half 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, these sale and leaseback transactions are considered a financing rather than a sale. Our Condensed Consolidated Balance Sheets at April 30, 2024 and October 31, 2023, included inventory of \$31.2 million and \$41.7 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$30.2 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 April 30, 2024 and October 31, 2023, included inventory of \$112.0 million and \$183.1 million, respectively, recorded to "Consolidated inventory not owned" with a corresponding amount of \$56.4 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 April 30, 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 April 30, 2024 and October 31, 2023, we had total cash deposits amounting to \$192.4 million and \$192.3 million, respectively, to purchase land and lots with a total purchase price of \$2.5 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 six months ended April 30, 2024 and 2023 were as follows:

(In thousands)	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 99,836	\$ 91,067	\$ 98,919	\$ 97,719
Additions – Selling, general and administrative	2,041	2,217	4,588	3,794
Additions – Cost of sales	1,982	1,937	4,850	3,240
Charges incurred during the period	(18,949)	(4,584)	(25,593)	(13,387)
Changes to pre-existing reserves	267	(27)	2,413	(756)
Balance, end of period	\$ 85,177	\$ 90,610	\$ 85,177	\$ 90,610

The majority of the charges incurred during the first half of fiscal 2024 represented a payment for construction defects related to the settlement of one litigation matter (see Note 7).

## 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 2015, the condominium association of the Four Seasons at Great Notch condominium community (the “Great Notch Plaintiff”) filed a lawsuit in the Superior Court of New Jersey, Law Division, Passaic County (the “Court”) alleging various construction defects, design defects, and geotechnical issues relating to the community. The operative complaint (“Complaint”) asserts claims against Hovnanian Enterprises, Inc. and several of its affiliates, including K. Hovnanian at Great Notch, LLC, K. Hovnanian Construction Management, Inc., and K. Hovnanian Companies, LLC. The Complaint also asserts claims against various other design professionals and contractors. The Special Masters appointed by the Court to decide non-dispositive motions issued an opinion that (a) granted the Great Notch Plaintiff’s motion to permit it to assert a claim to pierce the corporate veil of K. Hovnanian at Great Notch, LLC to hold its alleged parent entities liable for any damages awarded against it, and (b) further stated that the Great Notch Plaintiff is not permitted to pursue that claim until after any trial on the underlying liability claims. In 2018, the Hovnanian-affiliated defendants reached a partial settlement with the Great Notch Plaintiff as to a portion of the Great Notch Plaintiff’s claims against them for an amount immaterial to the Company. On the remaining claims against the Hovnanian-affiliated defendants, the Great Notch Plaintiff had asserted damages of approximately \$119.5 million, which amount was potentially subject to treble damages pursuant to the Great Notch Plaintiff’s claim under the New Jersey Consumer Fraud Act. In December 2023, the parties reached a settlement on the remaining claims through mediation, and in February 2024 executed a final confidential settlement agreement. The settlement amount is not materially different from what we had reserved for this case. On April 30, 2024, the Court entered a Consent Order dismissing the case with prejudice as to the Hovnanian-affiliated defendants as a result of the settlement.

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 April 30, 2024 and October 31, 2023, \$14.8 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 \$8.4 million at both April 30, 2024 and October 31, 2023, 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 \$35.9 million and \$30.5 million as of April 30, 2024 and October 31, 2023, respectively. Included in these balances were (1) financial services customers' deposits of \$33.9 million and \$28.1 million at April 30, 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 \$2.0 million and \$2.4 million at April 30, 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 April 30, 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 April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Operating lease costs	\$ 2,755	\$ 3,005	\$ 5,388	\$ 5,864
Cash payments on lease liabilities	\$ 2,142	\$ 2,351	\$ 4,380	\$ 4,737

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 six months ended April 30, 2024 the Company recorded a net increase to both its ROU assets and lease liabilities of \$2.7 million and \$3.0 million, respectively, as a result of new leases that commenced during the period. The following table contains additional information about our leases:

(In thousands)	April 30, 2024	October 31, 2023
ROU assets	\$ 24,156	\$ 25,745
Lease liabilities	\$ 25,874	\$ 26,470
Weighted-average remaining lease term (in years)	4.9	5.1
Weighted-average discount rate	10.0%	10.0%

Maturities of our operating lease liabilities as of April 30, 2024 are as follows:

Fiscal Year Ending October 31,	(In thousands)
2024 (excluding the six months ended April 30, 2024)	\$ 4,554
2025	8,923
2026	7,450
2027	4,918
2028	1,909
2029 and thereafter	4,889
Total operating lease payments (1)	32,643
Less: imputed interest	(6,769)
Present value of operating lease liabilities	\$ 25,874

(1) Lease payments include options to extend lease terms that are reasonably certain of being executed and exclude \$3.3 million of legally binding minimum lease payments for office leases signed but not yet commenced as of April 30, 2024. The related ROU assets and operating lease liabilities are not reflected on the Company's Condensed Consolidated Balance Sheets.

## 10. Mortgage Loans Held for Sale

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

At April 30, 2024 and October 31, 2023, \$94.4 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 April 30, 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 six months ended April 30, 2024 and 2023 was as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2024	2023	2024	2023
Loan origination reserves, beginning of period	\$ 2,059	\$ 1,827	\$ 2,013	\$ 1,795
Provisions for losses during the period	56	45	102	77
Adjustments to pre-existing provisions for losses from changes in estimates	(81)	34	(81)	34
Loan origination reserves, end of period	\$ 2,034	\$ 1,906	\$ 2,034	\$ 1,906

## 11. Mortgages

### *Nonrecourse*

We had nonrecourse mortgage loans for certain communities totaling \$85.6 million and \$91.5 million, net of debt issuance costs, at April 30, 2024 and October 31, 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$261.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 8.8% and 8.5% at April 30, 2024 and October 31, 2023, respectively, and the mortgage loan payments primarily correspond to home deliveries.

### *Mortgage Loans*

K. Hovnanian Mortgage originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are generally 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.

Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. (“Chase Master Repurchase Agreement”) is a short-term borrowing facility that provides up to \$50.0 million through its maturity on January 31, 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 an adjusted Secured Overnight Financing Rate (“SOFR”), plus the applicable margin of 2.125% to 2.375%. As of April 30, 2024 and October 31, 2023, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was \$36.8 million and \$31.4 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank (“Customers Master Repurchase Agreement”), which was amended on March 7, 2024 to extend the maturity date to March 5, 2025, and is a short-term borrowing facility that provides up to \$50.0 million. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable 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 the 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 April 30, 2024 and October 31, 2023, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was \$38.6 million and \$41.1 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Flagstar Bank, N.A. (“Flagstar Master Repurchase Agreement”) which is a short-term borrowing facility that provides up to \$50.0 million through its maturity on January 10, 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 SOFR, subject to a floor of 1.0%, plus the applicable margin ranging from 1.82% to 5.0% based on the type of loan and the number of days outstanding on the line. As of April 30, 2024, the aggregate principal of all borrowings outstanding under the Flagstar Master Repurchase Agreement was \$6.3 million.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement and Flagstar 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 April 30, 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 April 30, 2024 and October 31, 2023, were as follows:

(In thousands)	April 30, 2024	October 31, 2023
<b>Senior Secured Notes:</b>		
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
<b>Total Senior Secured Notes</b>	<b>\$ 655,000</b>	<b>\$ 768,502</b>
<b>Senior Notes:</b>		
13.5% Senior Notes due February 1, 2026	\$ 90,590	\$ 90,590
5.0% Senior Notes due February 1, 2040	90,120	90,120
<b>Total Senior Notes</b>	<b>\$ 180,710</b>	<b>\$ 180,710</b>
Senior Unsecured Term Loan Credit Facility due February 1, 2027	\$ 39,551	\$ 39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	\$ 81,498	\$ 81,498
Senior Secured Revolving Credit Facility (2)	\$ -	\$ -
<b>Subtotal senior notes and credit facilities</b>	<b>\$ 956,759</b>	<b>\$ 1,070,261</b>
Net (discounts) premiums	\$ (20,060)	\$ (14,563)
Unamortized debt issuance costs	\$ (3,742)	\$ (4,207)
<b>Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs</b>	<b>\$ 932,957</b>	<b>\$ 1,051,491</b>

(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) At April 30, 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 April 30, 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 April 30, 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 additional indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase (including through exchanges) 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 April 30, 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 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 six months ended April 30, 2024, including the write-off of unamortized premiums, debt issuance costs and fees. The gain from the redemption is included in the Condensed Consolidated Statement of Operations as "Gain on extinguishment of debt, net".

### *Secured Obligations*

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

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

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

The Secured Term Loans bear interest at a rate equal to 10.0% per annum 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. On May 21, 2024, K. Hovnanian and the Notes Guarantors issued additional Secured Term Loans in private exchange transactions for certain of their unsecured debt obligations (See Note 22).

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 April 30, 2024, the collateral securing the Secured Credit Agreement, the Secured Term Loan Facility and the senior secured notes included (1) \$188.7 million of cash and cash equivalents, which included \$3.7 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) \$628.6 million aggregate book value of real property, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in joint venture holding companies with an aggregate book value of \$148.2 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 bear interest at a rate equal to 5.0% per annum and interest is payable in arrears on the last business day of each fiscal quarter. The Unsecured Term Loans will mature on February 1, 2027.

### Other

We have certain stand-alone cash collateralized letter of credit agreements and facilities under which there was a total of \$3.6 million and \$4.9 million letters of credit outstanding at April 30, 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 April 30, 2024 and October 31, 2023, the amount of cash collateral in these segregated accounts was \$3.7 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 April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net income	\$ 50,836	\$ 34,146	\$ 74,740	\$ 52,862
Less: preferred stock dividends	(2,669)	(2,669)	(5,338)	(5,338)
Less: undistributed earnings allocated to participating securities	(2,193)	(2,599)	(3,214)	(3,983)
Numerator for basic earnings per share	\$ 45,974	\$ 28,878	\$ 66,188	\$ 43,541
Plus: undistributed earnings allocated to participating securities	2,193	2,599	3,215	3,983
Less: undistributed earnings reallocated to participating securities	(2,194)	(2,600)	(3,215)	(3,987)
Numerator for diluted earnings per share	\$ 45,973	\$ 28,877	\$ 66,188	\$ 43,537
<b>Denominator:</b>				
Denominator for basic earnings per share – weighted average shares outstanding	6,457	6,166	6,477	6,176
Effect of dilutive securities:				
Stock-based payments	445	296	443	287
Denominator for diluted earnings per share – weighted-average shares outstanding	6,902	6,462	6,920	6,463
Basic earnings per share	\$ 7.12	\$ 4.68	\$ 10.22	\$ 7.05
Diluted earnings per share	\$ 6.66	\$ 4.47	\$ 9.57	\$ 6.74

In addition, 26 thousand and 67 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 the three and six months ended April 30, 2023, respectively, 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 six months ended April 30, 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 \$5.3 million on the Series A preferred stock for each of the three and six months ended April 30, 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 six months ended April 30, 2024, we repurchased 106,047 shares under the stock repurchase program, with a market value of \$15.0 million, or \$141.45 per share. During the six months ended April 30, 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 our Condensed Consolidated Balance Sheet as of April 30, 2024 and 2023. As of April 30, 2024, \$18.0 million of our Class A common stock is available to be purchased under the stock repurchase program.

## 16. Income Taxes

For the three and six months ended April 30, 2024, we recorded income tax expense of \$18.6 million and \$27.2 million, respectively, and \$12.0 million and \$11.3 million for the same periods in the prior year, respectively. For both the three and six months ended April 30, 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. 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 April 30, 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 April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Northeast	\$ 199,087	\$ 212,047	\$ 390,527	\$ 423,509
Southeast	128,787	101,050	234,797	174,844
West	361,234	374,001	639,691	589,735
Total homebuilding	689,108	687,098	1,265,015	1,188,088
Financial services	17,167	14,203	32,435	26,367
Corporate and unallocated	2,105	2,360	5,126	4,572
Total revenues	\$ 708,380	\$ 703,661	\$ 1,302,576	\$ 1,219,027
<b>Income before income taxes:</b>				
Northeast	\$ 31,730	\$ 28,711	\$ 67,639	\$ 57,223
Southeast	27,067	14,848	41,942	26,471
West	35,597	28,219	56,189	38,108
Total homebuilding	94,394	71,778	165,770	121,802
Financial services	5,144	4,051	8,941	7,162
Corporate and unallocated (1)	(30,146)	(29,706)	(72,756)	(64,794)
Income before income taxes	\$ 69,392	\$ 46,123	\$ 101,955	\$ 64,170

- (1) Corporate and unallocated for the three months ended April 30, 2024, included corporate general and administrative expenses of \$32.5 million, interest expense of \$1.7 million (a component of Other interest in our Condensed Consolidated Statements of Operations) and \$4.1 million of other income. Corporate and unallocated for the six months ended April 30, 2024, included corporate general and administrative expenses of \$69.7 million, interest expense of \$5.4 million, \$0.9 million of other income and \$1.4 million of gain on extinguishment of debt. Corporate and unallocated for the three months ended April 30, 2023, included corporate general and administrative expenses of \$25.1 million, interest expense of \$5.2 million and \$0.6 million of other income. Corporate and unallocated for the six months ended April 30, 2023, included corporate general and administrative expenses of \$50.6 million, interest expense of \$11.8 million and \$2.4 million of other expenses.

(In thousands)	April 30, 2024	October 31, 2023
<b>Assets:</b>		
Northeast	\$ 580,881	\$ 483,784
Southeast	298,069	286,701
West	779,012	733,318
Total homebuilding	1,657,962	1,503,803
Financial services	142,559	168,671
Corporate and unallocated	517,125	820,466
Total assets	\$ 2,317,646	\$ 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 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.

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)	April 30, 2024		
	Homebuilding	Land Development	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 136,247	\$ 662	\$ 136,909
Inventories	471,849	-	471,849
Other assets	383,937	-	383,937
<b>Total assets</b>	<b>\$ 992,033</b>	<b>\$ 662</b>	<b>\$ 992,695</b>
<b>Liabilities and equity:</b>			
Accounts payable and accrued liabilities	\$ 541,790	\$ 445	\$ 542,235
Notes payable	144,877	-	144,877
<b>Total liabilities</b>	<b>686,667</b>	<b>445</b>	<b>687,112</b>
<b>Equity of:</b>			
Hovnanian Enterprises, Inc.	148,251	210	148,461
Others	157,115	7	157,122
<b>Total equity</b>	<b>305,366</b>	<b>217</b>	<b>305,583</b>
<b>Total liabilities and equity</b>	<b>\$ 992,033</b>	<b>\$ 662</b>	<b>\$ 992,695</b>
Debt to capitalization ratio	32%	0%	32%

(In thousands)	October 31, 2023		
	Homebuilding	Land Development	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 127,547	\$ 822	\$ 128,369
Inventories	375,022	-	375,022
Other assets	380,989	-	380,989
<b>Total assets</b>	<b>\$ 883,558</b>	<b>\$ 822</b>	<b>\$ 884,380</b>
<b>Liabilities and equity:</b>			
Accounts payable and accrued liabilities	\$ 524,586	\$ 605	\$ 525,191
Notes payable	101,126	-	101,126
<b>Total liabilities</b>	<b>625,712</b>	<b>605</b>	<b>626,317</b>
<b>Equity of:</b>			
Hovnanian Enterprises, Inc.	96,281	210	96,491
Others	161,565	7	161,572
<b>Total equity</b>	<b>257,846</b>	<b>217</b>	<b>258,063</b>
<b>Total liabilities and equity</b>	<b>\$ 883,558</b>	<b>\$ 822</b>	<b>\$ 884,380</b>
Debt to capitalization ratio	28%	0%	28%

As of April 30, 2024 and October 31, 2023, we had outstanding advances to unconsolidated joint ventures of \$2.2 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 six months ended April 30, 2024 and 2023, we did not write-down any of our unconsolidated joint venture investments.

Three Months Ended April 30, 2024			
(In thousands)	Land		Total
	Homebuilding	Development	
Revenues	\$ 124,044	\$ -	\$ 124,044
Cost of sales and expenses	(111,117)	-	(111,117)
Joint venture net income	\$ 12,927	\$ -	\$ 12,927
Our share of net income	\$ 11,164	\$ -	\$ 11,164

Three Months Ended April 30, 2023			
(In thousands)	Land		Total
	Homebuilding	Development	
Revenues	\$ 81,530	\$ -	\$ 81,530
Cost of sales and expenses	(76,352)	(3)	(76,355)
Joint venture net income (loss)	\$ 5,178	\$ (3)	\$ 5,175
Our share of net income	\$ 5,408	\$ -	\$ 5,408

Six Months Ended April 30, 2024			
(In thousands)	Land		Total
	Homebuilding	Development	
Revenues	\$ 250,469	\$ -	\$ 250,469
Cost of sales and expenses	(219,776)	-	(219,776)
Joint venture net income	\$ 30,693	\$ -	\$ 30,693
Our share of net income	\$ 26,116	\$ -	\$ 26,116

Six Months Ended April 30, 2023

(In thousands)	Land		Total
	Homebuilding	Development	
Revenues	\$ 161,131	\$ -	\$ 161,131
Cost of sales and expenses	(153,237)	(3)	(153,240)
Joint venture net income (loss)	\$ 7,894	\$ (3)	\$ 7,891
Our share of net income	\$ 12,568	\$ -	\$ 12,568

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 six months ended April 30, 2024 and 2023, respectively, we had investments in eight and seven unconsolidated joint ventures, respectively, and our ownership in these joint ventures ranged from 20% to over 50% for both periods. Therefore, depending on mix, if the unconsolidated joint ventures in which we have higher sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a higher overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage; conversely, if the unconsolidated joint ventures in which we have lower sharing percentages are more profitable than our other unconsolidated joint ventures, that results in us having a lower overall percentage of income in the aggregate than would occur if all joint ventures had the same sharing percentage. For the three months ended April 30, 2024, “Our share of net income” was less than the “Joint venture net income” due to three 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 two unconsolidated joint ventures with increased income during the period for which we currently recognize a higher profit-sharing percentage based on the joint venture agreements. For the six months ended April 30, 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 agreement. In addition, homebuilding joint venture net income for the three and six months ended April 30, 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 \$4.2 million and \$3.1 million for the three months ended April 30, 2024 and 2023, respectively, and \$8.5 million and \$6.7 million for the six months ended April 30, 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 March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" ("ASU 2020-04"). ASU 2020-04 provides companies with optional expedients to ease the potential accounting burden on contracts affected by the discontinuation of the London Interbank Offered Rate or another reference rate expected to be discontinued. This guidance was effective for the Company beginning on March 12, 2020 and we may elect to apply the amendments prospectively. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", to extend the temporary accounting rules under ASC 848 from December 31, 2022 to December 31, 2024. We have implemented our transition away from LIBOR and the adoption of this guidance did not have a material impact on our Condensed Consolidated Financial Statements.

In August 2023, the FASB issued 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 April 30, 2024	Fair Value at October 31, 2023
Mortgage loans held for sale (1)	Level 2	\$ 97,075	\$ 130,235

(1) The aggregate unpaid principal balance was \$96.2 million and \$130.4 million at April 30, 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 \$646.4 million at April 30, 2024. Loans in process for which interest rates were committed to the borrowers totaled \$67.8 million as of April 30, 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 April 30, 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 April 30, 2024		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 82	\$ -	\$ -

(In thousands)	Three Months Ended April 30, 2023		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 305	\$ (8)	\$ 35

(In thousands)	Six Months Ended April 30, 2024		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 884	\$ -	\$ -

(In thousands)	Six Months Ended April 30, 2023		
	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Change in fair value included in financial services revenue	\$ 726	\$ (8)	\$ (2)

We did not have any assets measured at fair value on a nonrecurring basis during the six months ended April 30, 2024 and 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 April 30, 2024 due to recent trades for the same notes.

Fair Value as of April 30, 2024				
(In thousands)	Level 1	Level 2	Level 3	Total
<b>Senior Secured Notes:</b>				
8.0% Senior Secured 1.125 Lien Notes due September 30, 2028	-	232,191	-	232,191
11.75% Senior Secured 1.25 Lien Notes due September 30, 2029	-	478,900	-	478,900
<b>Senior Notes:</b>				
13.5% Senior Notes due February 1, 2026	-	-	93,650	93,650
5.0% Senior Notes due February 1, 2040	-	45,090	-	45,090
<b>Senior Credit Facilities:</b>				
Senior Unsecured Term Loan Credit Facility due February 1, 2027	-	-	33,868	33,868
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	-	-	89,444	89,444
<b>Total fair value</b>	<b>\$ -</b>	<b>\$ 756,181</b>	<b>\$ 216,962</b>	<b>\$ 973,143</b>

Fair Value as of October 31, 2023				
(In thousands)	Level 1	Level 2	Level 3	Total
<b>Senior Secured Notes:</b>				
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
<b>Senior Notes:</b>				
13.5% Senior Notes due February 1, 2026	-	-	95,062	95,062
5.0% Senior Notes due February 1, 2040	-	-	44,843	44,843
<b>Senior Credit Facilities:</b>				
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
<b>Total fair value</b>	<b>\$ -</b>	<b>\$ 590,498</b>	<b>\$ 487,371</b>	<b>\$ 1,077,869</b>

The Senior Secured Revolving Credit Facility is not included in the above tables because there were no borrowings outstanding thereunder at April 30, 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 the three months ended April 30, 2024 and 2023, the services provided by such engineering firm to the Company totaled \$0.3 million and \$0.4 million, respectively. During the six months ended April 30, 2024 and 2023, the services provided by such engineering firm to the Company totaled \$0.6 million and \$0.8 million, respectively. Neither the Company nor Mr. Hovnanian has a financial interest in the relative's company from whom the services were provided.

## 22. Subsequent Events

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) approximately \$64.0 million aggregate principal amount of 13.5% 2026 Notes and approximately \$21.5 million in cash for approximately \$42.5 million aggregate principal amount of additional Secured Term Loans, (ii) approximately \$65.2 million aggregate principal amount of 5.0% 2040 Notes for approximately \$31.4 million aggregate principal amount of additional Secured Term Loans and (iii) approximately \$39.6 million aggregate principal amount of Unsecured Term Loans and approximately \$10.0 million in cash for approximately \$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 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 will continue to bear interest at a rate equal to 10.0% per annum (subject to the Interest Rate Increase) and will mature on January 31, 2028. Following consummation of the Exchanges, the total outstanding principal amount of Secured Term Loans under the Secured Term Loan Facility is \$175.0 million.

## 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, but rates increased slightly again in the second quarter 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, which leads to improved pricing power. 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. We were able to increase net prices in approximately 37% and 59% of our communities during the first and second quarters of fiscal 2024, respectively.

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, make 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 \$460.9 million on land purchases and land development for long-term growth during the six months ended April 30, 2024, and still have total liquidity of \$310.7 million, including \$182.0 million of homebuilding cash and cash equivalents and \$125.0 million of borrowing capacity under our senior secured revolving credit facility as of April 30, 2024.

Information on our operating results for the three and six months ended April 30, 2024 are as follows:

- Sale of homes revenues increased to \$686.9 million for the three months ended April 30, 2024 from \$670.7 million for the three months ended April 30, 2023, and increased to \$1.3 billion for the six months ended April 30, 2024 from \$1.2 billion for the six months ended April 30, 2023. There was a 4.7% and 8.5% increase in the number of home deliveries for the three and six months ended April 30, 2024, respectively, compared to the prior year periods, partially offset by a decrease in average prices of 2.2% and 0.7% for the three and six months ended April 30, 2024, respectively, compared to the prior year periods. The decrease in average price was the result of the geographic and community mix of our deliveries.
- Gross margin dollars increased 12.1% and 12.4% for the three and six months ended April 30, 2024, respectively, as compared to the same periods of the prior year, and gross margin percentage increased to 19.5% and 18.9% for the three and six months ended April 30, 2024, respectively, from 17.8% and 18.1% for the three and six months ended April 30, 2023, respectively. Gross margin percentage, before cost of sales interest expense and land charges, increased from 20.9% for the three months ended April 30, 2023 to 22.6% for the three months ended April 30, 2024, and increased from 21.2% for the six months ended April 30, 2023 to 22.3% for the six months ended April 30, 2024. The increase in gross margin percentage was primarily due to a decrease in our base construction cost per square foot across all segments.
- Selling, general and administrative costs (including corporate general and administrative expenses) ("Total SGA") was \$79.0 million, or 11.2% of total revenues, in the three months ended April 30, 2024 compared with \$75.5 million, or 10.7% of total revenues, in the three months ended April 30, 2023. For the six months ended April 30, 2024, Total SGA was \$165.1 million, or 12.7% of total revenues, compared with \$148.9 million, or 12.2% of total revenues, in the same period of the prior fiscal year. The increase in Total SGA dollars is primarily due an increase in 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 \$9.0 million and \$19.4 million for the three and six months ended April 30, 2024, respectively, from \$14.5 million and \$29.6 million for the three and six months ended April 30, 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.

- Income before taxes increased to \$69.4 million for the three months ended April 30, 2024 from \$46.1 million for the three months ended April 30, 2023, and increased to \$102.0 million for the six months ended April 30, 2024 from \$64.2 million for the six months ended April 30, 2023. Net income increased to \$50.8 million for the three months ended April 30, 2024 from \$34.1 million for the three months ended April 30, 2023, and increased to \$74.7 million for the six months ended April 30, 2024 from \$52.9 million for the six months ended April 30, 2023. Net income for the first half of fiscal 2023 included a \$6.2 million tax benefit from energy efficient home credits. Earnings per share, basic and diluted, increased to \$7.12 and \$6.66, respectively, for the three months ended April 30, 2024 compared to \$4.68 and \$4.47, respectively, for the three months ended April 30, 2023. Earnings per share, basic and diluted, increased to \$10.22 and \$9.57, respectively, for the six months ended April 30, 2024 compared to \$7.05 and \$6.74, respectively, for the six months ended April 30, 2023.

- Net contracts increased 2.4% and 16.5% for the three and six months ended April 30, 2024, respectively, compared to the same periods of the prior year primarily due to increased demand for new homes resulting from the low supply of existing homes for sale, lower mortgage rates than prior periods, job creation in the employment market and overall growth in the broader economy.

- Net contracts per average active selling community increased to 13.3 and 23.4 for the three and six months ended April 30, 2024, respectively, compared to 12.5 and 19.0 in the same periods of the prior year. The increase for the three and six months ended April 30, 2024 was due to the increase in net contracts discussed above.

- Contract backlog decreased from 2,318 homes at April 30, 2023 to 2,018 homes at April 30, 2024, and the dollar value of contract backlog decreased to \$1.1 billion, a 14.7% decrease in dollar value compared to the prior year. The decreases were primarily attributable to a reduction in the number of active selling communities from 114 at April 30, 2023 to 109 at April 30, 2024. In addition, 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			
	April 30, 2024	April 30, 2023	Dollar Change	Percentage Change
<b>Homebuilding:</b>				
Sale of homes	\$ 686,929	\$ 670,708	\$ 16,221	2.4 %
Land sales and other revenues	4,284	18,750	(14,466)	(77.2)%
Financial services	17,167	14,203	2,964	20.9 %
<b>Total revenues</b>	<b>\$ 708,380</b>	<b>\$ 703,661</b>	<b>\$ 4,719</b>	<b>0.7 %</b>

## Six Months Ended

(Dollars in thousands)	April 30, 2024	April 30, 2023	Dollar Change	Percentage Change
<b>Homebuilding:</b>				
Sale of homes	\$ 1,260,565	\$ 1,170,353	\$ 90,212	7.7 %
Land sales and other revenues	9,576	22,307	(12,731)	(57.1)%
Financial services	32,435	26,367	6,068	23.0 %
<b>Total revenues</b>	<b>\$ 1,302,576</b>	<b>\$ 1,219,027</b>	<b>\$ 83,549</b>	<b>6.9 %</b>

**Homebuilding: Sale of Homes**

For the three and six months ended April 30, 2024, sale of homes revenues increased 2.4% and 7.7%, respectively, compared to the same periods in the prior year. The sale of homes revenue increased due to a 4.7% and 8.5% increase in homes delivered, respectively, slightly offset by a 2.2% and 0.7% decrease in the average price per home for the three and six months ended April 30, 2024, respectively, compared with the prior year periods. The average price per home decreased to \$535,408 in the three months ended April 30, 2024 from \$547,517 in the three months ended April 30, 2023. The average price per home decreased to \$537,325 in the six months ended April 30, 2024 from \$541,079 in the six months ended April 30, 2023. The decrease in average price was the result of the geographic and community mix of our deliveries. Land sales are ancillary to our homebuilding operations and are expected to continue in the future. 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 April 30,			Six Months Ended April 30,		
	2024	2023	% Change	2024	2023	% Change
<b>Consolidated total:</b>						
Housing revenues	\$ 686,929	\$ 670,708	2.4 %	\$ 1,260,565	\$ 1,170,353	7.7 %
Homes delivered	1,283	1,225	4.7 %	2,346	2,163	8.5 %
Average sales price	\$ 535,408	\$ 547,517	(2.2)%	\$ 537,325	\$ 541,079	(0.7)%
<b>Unconsolidated joint ventures: (1)</b>						
Housing revenues	\$ 120,249	\$ 80,677	49.0 %	\$ 245,458	\$ 159,347	54.0 %
Homes delivered	182	121	50.4 %	388	228	70.2 %
Average sales price	\$ 660,709	\$ 666,752	(0.9)%	\$ 632,624	\$ 698,890	(9.5)%

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

### Homebuilding: Land Sales and Other Revenues

Land sales and other revenues decreased \$14.5 million and \$12.7 million for the three and six months ended April 30, 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 zero and one land sale in the three and six months ended April 30, 2024, respectively, and one and two land sales in the three and six months ended April 30, 2023, respectively. Land sales revenues decreased \$15.1 million and \$14.1 million during the three and six months ended April 30, 2024, respectively, compared to the same periods in the prior year.

### Homebuilding: Cost of Sales

Cost of sales includes expenses for consolidated housing 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 April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Sale of homes	\$ 686,929	\$ 670,708	\$ 1,260,565	\$ 1,170,353
Cost of sales, excluding interest expense and land charges	531,385	530,759	979,833	921,722
Homebuilding gross margin, before cost of sales interest expense and land charges	155,544	139,949	280,732	248,631
Cost of sales interest expense, excluding land sales interest expense	21,543	20,521	41,441	35,522
Homebuilding gross margin, after cost of sales interest expense, before land charges	134,001	119,428	239,291	213,109
Land charges	237	137	539	614
Homebuilding gross margin	\$ 133,764	\$ 119,291	\$ 238,752	\$ 212,495
Homebuilding gross margin percentage	19.5%	17.8%	18.9%	18.1%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.6%	20.9%	22.3%	21.2%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	19.5%	17.8%	19.0%	18.2%

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

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	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	68.0%	69.4%	67.9%	68.8%
Commissions	3.4%	3.5%	3.4%	3.4%
Financing concessions	2.3%	2.1%	2.4%	2.2%
Overheads	3.7%	4.1%	4.0%	4.4%
Total cost of sales, excluding interest expense and land charges	77.4%	79.1%	77.7%	78.8%
Cost of sales interest	3.1%	3.1%	3.3%	3.0%
Land charges	0.0%	0.0%	0.1%	0.1%
Homebuilding gross margin percentage	19.5%	17.8%	18.9%	18.1%
Homebuilding gross margin percentage, before cost of sales interest expense and land charges	22.6%	20.9%	22.3%	21.2%
Homebuilding gross margin percentage, after cost of sales interest expense, before land charges	19.5%	17.8%	19.0%	18.2%

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 increased to 19.5% and 18.9% for the three and six months ended April 30, 2024, respectively, compared to 17.8% and 18.1% for the prior year periods, respectively. Total homebuilding gross margin percentage, before cost of sales interest expense and land charges increased to 22.6% and 22.3% for the three and six months ended April 30, 2024, respectively, compared to 20.9% and 21.2% for the three and six months ended April 30, 2023, respectively. The increase in gross margin percentage for the three and six months ended April 30, 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		Six Months Ended	
	April 30,		April 30,	
	2024	2023	2024	2023
Land and lot sales	\$ 213	\$ 15,284	\$ 1,553	\$ 15,613
Cost of sales, excluding interest	117	9,863	882	9,940
Land and lot sales gross margin, excluding interest	96	5,421	671	5,673
Land and lot sales interest expense	-	904	-	925
Land and lot sales gross margin, including interest	\$ 96	\$ 4,517	\$ 671	\$ 4,748

Land sales are ancillary to our residential 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 \$0.2 million and \$0.1 million in expense for the three months ended April 30, 2024 and 2023, respectively, and \$0.5 million and \$0.6 million during the six months ended April 30, 2024 and 2023, respectively. There were no inventory impairments during the three and six months ended April 30, 2024 and 2023. During the three and six months ended April 30, 2024 and 2023, we wrote-off residential land option, approval and engineering costs. Such write-offs occurred across each of our segments in the first half of fiscal 2024 and 2023, respectively.

### ***Homebuilding: Selling, General and Administrative***

Homebuilding selling, general and administrative (“SGA”) expenses decreased \$4.0 million to \$46.5 million for the three months ended April 30, 2024 and decreased \$2.9 million to \$95.4 million for the six months ended April 30, 2024 compared to the same periods in the prior year. The decrease for the three and six months ended April 30, 2024 compared to the same periods in the prior year was primarily due to an increase in unconsolidated joint venture deliveries, as 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 six months ended April 30, 2024 were 13.3 and 23.4, respectively, compared to 12.5 and 19.0 for the same periods in the prior year, respectively. Our reported level of sales contracts (net of cancellations) were impacted by an increase in customer demand partially due to the availability of QMI homes and our new design concepts.

#### *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		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%	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 second quarter of fiscal 2024 was 13%, which is equal to 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 April 30,		Net Contracts for the Six Months Ended April 30,		Contract Backlog as of April 30,	
	2024	2023	2024	2023	2024	2023
<b>Northeast:</b>						
Dollars	\$ 326,975	\$ 260,320	\$ 575,728	\$ 446,170	\$ 538,053	\$ 513,574
Number of homes	549	413	932	724	800	875
<b>Southeast:</b>						
Dollars	\$ 74,061	\$ 132,954	\$ 142,732	\$ 215,145	\$ 202,343	\$ 351,392
Number of homes	164	275	274	439	435	626
<b>West:</b>						
Dollars	\$ 384,774	\$ 392,418	\$ 691,702	\$ 539,505	\$ 389,094	\$ 459,819
Number of homes	799	789	1,433	1,102	783	817
<b>Total:</b>						
Dollars	\$ 785,810	\$ 785,692	\$ 1,410,162	\$ 1,200,820	\$ 1,129,490	\$ 1,324,785
Number of homes	1,512	1,477	2,639	2,265	2,018	2,318

Contract backlog dollars decreased 14.7% as of April 30, 2024 compared to April 30, 2023, and the number of homes in backlog decreased 12.9% as of April 30, 2024 compared to April 30, 2023. The decrease in contract backlog dollars and number of homes as of April 30, 2024 compared to April 30, 2023 was primarily driven by our lower community count in the first half of fiscal 2024 as compared to the same period in the prior year and improved contract backlog conversion.

### ***Homebuilding: Operations by Segment***

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

Three Months Ended April 30,				
(Dollars in thousands, except average sales price)	2024	2023	Variance	Variance %
<b>Northeast</b>				
Homebuilding revenue	\$ 199,087	\$ 212,047	\$ (12,960)	(6.1)%
Income before income taxes	\$ 31,730	\$ 28,711	\$ 3,019	10.5 %
Homes delivered	331	358	(27)	(7.5)%
Average sales price	\$ 597,305	\$ 590,880	\$ 6,425	1.1 %
<b>Southeast</b>				
Homebuilding revenue	\$ 128,787	\$ 101,050	\$ 27,737	27.4 %
Income before income taxes	\$ 27,067	\$ 14,848	\$ 12,219	82.3 %
Homes delivered	246	174	72	41.4 %
Average sales price	\$ 521,825	\$ 579,914	\$ (58,089)	(10.0)%
<b>West</b>				
Homebuilding revenue	\$ 361,234	\$ 374,001	\$ (12,767)	(3.4)%
Income before income taxes	\$ 35,597	\$ 28,219	\$ 7,378	26.1 %
Homes delivered	706	693	13	1.9 %
Average sales price	\$ 511,122	\$ 516,981	\$ (5,859)	(1.1)%

Six Months Ended April 30,				
(Dollars in thousands, except average sales price)	2024	2023	Variance	Variance %
<b>Northeast</b>				
Homebuilding revenue	\$ 390,527	\$ 423,509	\$ (32,982)	(7.8)%
Income before income taxes	\$ 67,639	\$ 57,223	\$ 10,416	18.2 %
Homes delivered	663	729	(66)	(9.1)%
Average sales price	\$ 584,762	\$ 579,436	\$ 5,326	0.9 %
<b>Southeast</b>				
Homebuilding revenue	\$ 234,797	\$ 174,844	\$ 59,953	34.3 %
Income before income taxes	\$ 41,942	\$ 26,471	\$ 15,471	58.4 %
Homes delivered	441	315	126	40.0 %
Average sales price	\$ 530,605	\$ 554,416	\$ (23,811)	(4.3)%
<b>West</b>				
Homebuilding revenue	\$ 639,691	\$ 589,735	\$ 49,956	8.5 %
Income before income taxes	\$ 56,189	\$ 38,108	\$ 18,081	47.4 %
Homes delivered	1,242	1,119	123	11.0 %
Average sales price	\$ 514,389	\$ 512,335	\$ 2,054	0.4 %

### ***Homebuilding Results by Segment***

*Northeast* - Homebuilding revenue decreased 6.1% for the three months ended April 30, 2024 compared to the same period in the prior year. The decrease for the three months ended April 30, 2024 was attributed to a 7.5% decrease in homes delivered, while average sales price was essentially flat with a 1.1% increase.

Income before income taxes increased \$3.0 million to \$31.7 million for the three months ended April 30, 2024 as compared to the same period in the prior year. This was primarily due to a \$0.7 million increase in income from unconsolidated joint ventures and a \$5.2 million decrease in SGA, while gross margin percentage was relatively flat.

Homebuilding revenue decreased 7.8% for the six months ended April 30, 2024 compared to the same period in the prior year. The decrease for the six months ended April 30, 2024 was attributed to a 9.1% decrease in homes delivered, while average sales price was essentially flat with a 0.9% increase.

Income before income taxes increased \$10.4 million to \$67.6 million for the six months ended April 30, 2024 as compared to the same period in the prior year. This was primarily due to a \$9.5 million increase in income from unconsolidated joint ventures and a \$4.8 million decrease in SGA, while gross margin percentage was relatively flat.

*Southeast* - Homebuilding revenue increased 27.4% for the three months ended April 30, 2024 compared to the same period in the prior year. The increase was due to a 41.4% increase in homes delivered, partially offset by a 10.0% decrease in average sales price. The decrease in average sales price was the result of new communities delivering lower priced, smaller single family homes and townhomes in lower-end submarkets of the segment for the three months ended April 30, 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 April 30, 2023, which were no longer delivering in the current year.

Income before income taxes increased \$12.2 million to \$27.1 million for the three months ended April 30, 2024 compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenue discussed above, a \$4.7 million increase in income from unconsolidated joint ventures and a slight increase in gross margin percentage.

Homebuilding revenue increased 34.3% for the six months ended April 30, 2024 compared to the same period in the prior year. The increase was due to a 40.0% increase in homes delivered, partially offset by a 4.3% 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 six months ended April 30, 2024 compared to some communities for the six months ended April 30, 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 \$15.5 million to \$41.9 million for the six months ended April 30, 2024 compared to the same period in the prior year. This was primarily due to the increase in homebuilding revenue discussed above, and a \$3.2 million increase in income from unconsolidated joint ventures, while gross margin percentage was relatively flat.

*West* - Homebuilding revenue decreased 3.4% for the three months ended April 30, 2024 compared to the same period in the prior year. The decrease was due to a \$15.4 million decrease in land sales and other revenue, while average sales price was essentially flat with a 1.1% decrease. The decrease in homebuilding revenue was partially offset by a 1.9% increase in homes delivered.

Income before income taxes increased \$7.4 million to \$35.6 million for the three months ended April 30, 2024 compared to the same period in the prior year. This was primarily due to a \$0.4 million decrease in SGA and an increase in gross margin percentage.

Homebuilding revenue increased 8.5% for the six months ended April 30, 2024 compared to the same period in the prior year. The increase was due to an 11.0% increase in homes delivered, while average sales price was essentially flat with a 0.4% increase. The increase in homebuilding revenue was partially offset by a \$15.6 million decrease in land sales and other revenue.

Income before income taxes increased \$18.1 million to \$56.2 million for the six months ended April 30, 2024 compared to the same period in the prior year. The increase is primarily due to the increase in homebuilding revenue discussed above and an 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 six months ended April 30, 2024 and 2023, Federal Housing Administration and Veterans Administration ("FHA/VA") loans represented 34.2% and 30.1%, respectively, of our total loans. For the six months ended April 30, 2024 compared to the same period in the prior year, our conforming conventional loan originations as a percentage of our total loans decreased from 69.2% to 65.5%, respectively. The origination of loans which exceed conforming conventions decreased from 0.7% to 0.3% for the six months ended April 30, 2024 compared to the same period in the prior year.

During the three and six months ended April 30, 2024 and 2023, financial services provided \$5.1 million and \$8.9 million of income before income taxes, respectively, compared to \$4.1 million and \$7.2 million for the same periods in the prior year, respectively. The increase in financial services income before income taxes for the three and six months ended April 30, 2024 compared to the same periods in the prior year was primarily due to an increase in the amount of loans closed and a slight increase in the average size of the loans settled. In the markets served by our wholly owned mortgage banking subsidiaries, 78.6% and 69.1% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the three months ended April 30, 2024 and 2023, respectively, and 78.7% and 66.6% of our non-cash homebuyers obtained mortgages originated by these subsidiaries during the six months ended April 30, 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 \$32.5 million for the three months ended April 30, 2024 compared to \$25.1 million for the three months ended April 30, 2023 and increased to \$69.7 million for the six months ended April 30, 2024 compared to \$50.6 million for the six months ended April 30, 2023. The increase for the three months ended April 30, 2024 was primarily due to an increase in compensation expense, mainly related to increased headcount and annual merit increases. The increase for the six months ended April 30, 2024 was also impacted 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 first half 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 first half of fiscal 2023.

#### *Other Interest*

Other interest decreased \$5.5 million to \$9.0 million for the three months ended April 30, 2024 and decreased \$10.2 million to \$19.4 million for the six months ended April 30, 2024 compared to the same periods in the prior year, respectively. Our assets that qualify for interest capitalization (inventory under development) are less than our debt, and therefore the portion of interest not covered by qualifying assets is directly expensed. Other interest decreased for the three and six months ended April 30, 2024, 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.

#### *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 six months ended April 30, 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 \$5.8 million to \$11.2 million for the three months ended April 30, 2024 and increased \$13.5 million to \$26.1 million for the six months ended April 30, 2024 compared to the same periods in the prior year, respectively. The increase for the three and six months ended April 30, 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 six months ended April 30, 2024 was \$18.6 million and \$27.2 million, respectively, and \$12.0 million and \$11.3 million for the same periods in the prior year, respectively. 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. The federal tax expense is not paid in cash as it is offset by the use of our existing net operating loss carryforwards. Income tax expense for the first half of fiscal 2023 included the benefit of lower income before income taxes and recording more energy efficient home tax credits for the period.

### **Capital Resources and Liquidity**

#### *Overview*

Our total liquidity at April 30, 2024 was \$310.7 million, including \$182.0 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 \$460.9 million on land and land development during the first half 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 provided from operations was \$0.1 million. During the first half of fiscal 2024, cash used in investing activities was \$37.2 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 \$209.5 million during the first half of fiscal 2024, which in addition to the \$113.5 million debt redemption mentioned above, was primarily due to net payments related to our mortgage warehouse lines of credit, net payments for land banking financings and model sale leaseback financings, net payments for nonrecourse mortgage financings, treasury stock purchases and the payment of preferred dividends. 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 six months ended April 30, 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 April 30, 2024 and October 31, 2023, were as follows:

(In thousands)	April 30, 2024	October 31, 2023
Senior Secured Notes	\$ 655,000	\$ 768,502
Senior Notes	180,710	180,710
Senior Unsecured Term Loan Credit Facility due February 1, 2027	39,551	39,551
Senior Secured 1.75 Lien Term Loan Credit Facility due January 31, 2028	81,498	81,498
Senior Secured Revolving Credit Facility (1)	-	-
Less: Net (discounts), premiums and unamortized debt issuance costs	(23,802)	(18,770)
<b>Total senior notes and credit facilities, net of discounts, premiums and unamortized debt issuance costs</b>	<b>\$ 932,957</b>	<b>\$ 1,051,491</b>

*(1) At April 30, 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 April 30, 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 April 30, 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 additional indebtedness, pay dividends and make distributions on common and preferred stock, repay/repurchase certain indebtedness prior to its respective stated maturity, repurchase (including through exchanges) 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 April 30, 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 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 Notes 12 and 22 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 \$85.6 million and \$91.5 million, net of debt issuance costs, at April 30, 2024 and October 31, 2023, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of \$261.7 million and \$331.6 million, respectively. The weighted-average interest rate on these obligations was 8.8% and 8.5% at April 30, 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 April 30, 2024 and October 31, 2023, we had an aggregate of \$81.7 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 six months ended April 30, 2024, we repurchased 106,047 shares under the stock repurchase program, with a market value of \$15.0 million, or \$141.45 per share, and during the six months ended April 30, 2023, we repurchased 118,478 shares, with a market value of \$4.8 million, or \$40.51 per share. As of April 30, 2024, \$18.0 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 \$5.3 million on the Series A preferred stock for each of the three and six months ended April 30, 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 \$52.8 million to \$150.7 million at April 30, 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 partner distributions. As of both April 30, 2024 and October 31, 2023, we had investments in seven unconsolidated homebuilding joint ventures and one unconsolidated land development joint venture. 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 \$149.4 million to \$1.3 billion at April 30, 2024 compared to October 31, 2023. Total inventory, excluding consolidated inventory not owned, increased by \$100.4 million in the West, \$11.7 million in the Southeast and \$37.3 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 April 30, 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 \$81.6 million from October 31, 2023 to April 30, 2024. The decrease was primarily due to a decrease in land banking transactions, along with a decrease 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 April 30, 2024, inventory of \$112.0 million was recorded to "Consolidated inventory not owned," with a corresponding amount of \$56.4 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 April 30, 2024, inventory of \$31.2 million was recorded to "Consolidated inventory not owned," with a corresponding amount of \$30.2 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 April 30, 2024 compared to October 31, 2023 is attributable to 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
<b>April 30, 2024:</b>				
Northeast	39	3,475	13,379	16,854
Southeast	10	1,237	6,032	7,269
West	60	6,547	6,183	12,730
<b>Consolidated total</b>	<b>109</b>	<b>11,259</b>	<b>25,594</b>	<b>36,853</b>
<b>Unconsolidated joint ventures (2)</b>	<b>25</b>	<b>3,311</b>	<b>3,073</b>	<b>6,384</b>
Owned		6,015	1,242	7,257
Optioned		5,232	24,352	29,584
Construction to permanent financing lots		12	-	12
<b>Consolidated total</b>		<b>11,259</b>	<b>25,594</b>	<b>36,853</b>
<b>October 31, 2023:</b>				
Northeast	41	4,096	10,065	14,161
Southeast	12	1,247	4,688	5,935
West	60	6,550	5,108	11,658
<b>Consolidated total</b>	<b>113</b>	<b>11,893</b>	<b>19,861</b>	<b>31,754</b>
<b>Unconsolidated joint ventures (2)</b>	<b>18</b>	<b>2,797</b>	<b>2,609</b>	<b>5,406</b>
Owned		6,114	1,223	7,337
Optioned		5,751	18,638	24,389
Construction to permanent financing lots		28	-	28
<b>Consolidated total</b>		<b>11,893</b>	<b>19,861</b>	<b>31,754</b>

(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.

	April 30, 2024			October 31, 2023		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	155	39	194	159	41	200
Southeast	92	23	115	99	16	115
West	542	41	583	570	24	594
<b>Total</b>	<b>789</b>	<b>103</b>	<b>892</b>	<b>828</b>	<b>81</b>	<b>909</b>
Started or completed unsold homes and models per active selling communities (1)	7.2	1.0	8.2	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 109 and 113 at April 30, 2024 and October 31, 2023, respectively. This ratio does not include substantially completed communities, which are communities with less than ten home sites available.

#### *Financial Services Assets and Liabilities*

Financial services assets decreased \$26.1 million to \$142.6 million at April 30, 2024, compared to October 31, 2023. Financial services assets consist primarily of residential mortgage receivables held for sale of which \$95.1 million and \$127.6 million at April 30, 2024 and October 31, 2023, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. The decrease in mortgage loans held for sale from October 31, 2023 was primarily related to a decrease in the volume of loans originated during the second quarter of fiscal 2024 compared to the fourth quarter of fiscal 2023, partially offset by an increase in the average loan value.

Financial services liabilities decreased \$25.9 million to \$122.3 million at April 30, 2024 compared to October 31, 2023. The decrease was primarily due to a decrease in amounts outstanding under our mortgage warehouse lines of credit and directly correlates to the decrease in the volume of mortgage loans held for sale during the period.

## **Inflation**

The annual rate of inflation in the United States was 3.4% in April 30, 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 53.6% of our homebuilding cost of sales for the six months ended April 30, 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 April 30, 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 April 30, 2024 by Fiscal Year of Maturity Date

(Dollars in thousands)	2024	2025	2026	2027	2028	Thereafter	Total	FV at 4/30/2024
Long term debt(1):								
Fixed rate	\$ -	\$ -	\$ 90,590	\$ 39,551	\$ 306,498	\$ 520,120	\$ 956,759	\$ 973,143
Weighted average interest rate	-%	-%	13.50%	5.00%	8.53%	10.58%	9.97%	

(1) Does not include:

- the mortgage warehouse lines of credit made under our Master Repurchase Agreements;
- \$85.6 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 April 30, 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 April 30, 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 April 30, 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 April 30, 2024, \$18.0 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 second quarter of fiscal 2024.

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased of Part of Publicly Announced Plans or Program</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program</b>
February 1, 2024 through February 29, 2024	-	-	-	-
March 1, 2024 through March 31, 2024	71,208	\$140.44	71,208	\$22,977,756
April 1, 2024 through April 30, 2024	34,839	\$143.52	34,839	\$17,977,646

**Item 5. OTHER INFORMATION**

During the three months ended April 30, 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)\* [Third Amended and Restated 2020 Hovnanian Enterprises, Inc. Stock Incentive Plan \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed March 22, 2024\).](#)
- 10(b) [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. \(Incorporated by reference to Exhibits to Current Report on Form 8-K of the Registrant filed May 22, 2024\).](#)

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31(a) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)

31(b) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)

32(a) [Section 1350 Certification of Chief Executive Officer.](#)

32(b) [Section 1350 Certification of Chief Financial Officer.](#)

101 The following financial information from our Quarterly Report on Form 10-Q for the quarter ended April 30, 2024, formatted in inline Extensible Business Reporting Language (Inline XBRL): (i) the Condensed Consolidated Balance Sheets at April 30, 2024 and October 31, 2023, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended April 30, 2024 and 2023, (iii) the Condensed Consolidated Statements of Changes in Equity for the three and six months ended April 30, 2024 and 2023, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 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 April 30, 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: May 31, 2024

/s/ ARA K. HOVNANIAN

Ara K. Hovnanian

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

DATE: May 31, 2024

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

**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 April 30, 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: May 31, 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 April 30, 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: May 31, 2024

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer

**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 April 30, 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: May 31, 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 April 30, 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: May 31, 2024

/s/ BRAD O'CONNOR

Brad O'Connor

Chief Financial Officer and Treasurer