SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the twelve months ended OCTOBER 31, 1997

(   ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number: 1-8551

Hovnanian Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-1851059
(State or other jurisdiction of or organization)	(I.R.S. Employer incorporation Identification No.)

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $.01 par value per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act - None

Indicate by check mark whether the registrant (l) 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. (X) Yes (   ) No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of the close of business on January 2, 1998, there were outstanding 14,077,622 shares of the Registrant's Class A Common Stock and 7,745,631 shares of its Class B Common Stock. The approximate aggregate market value (based upon the closing price on the American Stock Exchange) of these shares held by non- affiliates of the Registrant as of January 2, 1998 was $61,159,000. (The value of a share of Class A Common Stock is used as the value for a share of Class B Common Stock as there is no established market for Class B Common Stock and it is convertible into Class A Common Stock on a share-for-share basis.)

Documents Incorporated by Reference:

Part III - Those portions of registrant's definitive proxy statement to be filed pursuant to Regulation l4A in connection with registrant's annual meeting of shareholders to be held on April 14, 1998 which are responsive to Items l0, ll, l2 and l3.

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PART I

ITEMS 1 AND 2 - BUSINESS AND PROPERTIES

The Company primarily designs, constructs and markets multi-family attached condominium apartments and townhouses and single family detached homes in planned residential developments in its Northeast Region (comprised primarily of New Jersey, southern New York state, and eastern Pennsylvania), southeastern Florida, North Carolina, Metro Washington, D. C. (northern Virginia), southern California, and Poland. Operations in Poland began for the first time during the year ended October 31, 1996, but deliveries did not occur until the year ended October 31, 1997. The Company markets its homes to first time buyers, to first and second time move-up buyers, and to active adult buyers and concentrates on the moderately priced segment of the housing market. The Company has diversified its business, on a limited scale, through mortgage banking and title insurance activities. In addition, the Company had developed and operates commercial properties as long-term investments in New Jersey and, to a lesser extent, Florida but is exiting this business (see "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations").

The Company employed approximately 1,150 full-time associates as of October 31, 1997. The Company was incorporated in New Jersey in 1967 and was reincorporated in Delaware in 1982.

RESIDENTIAL DEVELOPMENT ACTIVITIES

The Company's residential development activities include evaluating and purchasing properties, master planning, obtaining governmental approvals and constructing, marketing and selling homes. A residential development generally includes a number of residential buildings containing from two to twenty-four individual homes per building and/or single family detached homes, together with amenities such as recreational buildings, swimming pools, tennis courts and open areas. By using standardized designs and materials and by rigorous control of subcontracting costs, the Company attempts to keep selling prices moderate.

The Company attempts to reduce the effect of certain risks inherent in the housing industry through the following policies and procedures:

- The Company acquires land for future development principally through the use of land options which need not be exercised before the completion of the regulatory approval process. The Company structures these options in most cases with flexible takedown schedules rather than with an obligation to takedown the entire parcel upon approval. Additionally, the Company purchases improved lots in certain markets by acquiring a small number of improved lots with an option on additional lots. This allows the Company to minimize the economic costs and risks of carrying a large land inventory, while maintaining its ability to commence new developments during favorable market periods.

- In an attempt to reduce its land acquisition costs, the Company monitors housing industry cycles and seeks to acquire land options near the cyclical trough of specific geographic housing cycles.

- The Company generally begins construction on a residential multi-family building only after entering into contracts for the sale of at least 75% of the homes in that building. Single family detached homes are generally started after a contract is signed and mortgage approvals obtained. This limits the build-up of inventory of unsold homes and the costs of maintaining and carrying that inventory.

- The Company finances all construction, land acquisition and operations through equity, long term debt, its unsecured revolving credit facility or cash flow. This eliminates the need of obtaining specific community construction financing, which is especially important at a time when obtaining such community financing is difficult.

- Through its presence in multiple geographic markets, the Company's goal is to reduce the effects that housing industry cycles, seasonality and local conditions in any one area may have on its business. In addition, the Company plans to eventually be a market leader in all its markets in order to obtain economies of scale.

- The Company looks to diversify its product line to provide affordable housing to a broad range of customers. Currently the Company's customers consist of first-time buyers, first and second time move-up buyers, move down buyers and active adult buyers.

- The Company offers a wide range of customer options to satisfy individual customer tastes. In its larger communities the Company has constructed decoration centers where the customer can better see customization possibilities for their new home.

- Through operational excellence the Company attempts to reduce its housing construction costs. Operational excellence is further discussed under "Certain Operating Policies and Procedures" below.

The Company concentrates on a segment of the housing market consisting of moderately priced, multi-family attached condominium apartments and townhouses, which are marketed primarily to first time buyers, as well as moderately priced townhouses with garages and single family detached homes, which are marketed primarily to first and second time move-up buyers and to active adult buyers. In recent years, the Company has diversified its product mix to include more detached single family homes and larger townhouses with garages designed for the move-up buyer and age restricted communities for active adults. Current base prices for the Company's homes in contract backlog at October 31, 1997 (exclusive of upgrades and options) range from $34,000 to $550,000 in its Northeast Region, from $105,000 to $337,000 in Florida, from $99,000 to $351,000 in North Carolina, from $167,000 to $325,000 in Metro Washington, D. C., from $110,000 to $285,000 in California, and from $73,000 to $87,000 in Poland. Closings generally occur and are reflected in revenues from four to twelve months after sales contracts are signed.

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

	Year Ended October 31, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
	(Housing Revenue in Thousands)		
Northeast Region:			
Housing Revenues........	$445,817	$460,931	$492,388
Homes Delivered.........	2,128	2,364	2,707
Average Price...........	$209,500	$194,979	$181,894
North Carolina:			
Housing Revenues........	$125,242	$123,347	$115,919
Homes Delivered.........	695	738	718
Average Price...........	$180,204	$167,137	$161,447
Florida:			
Housing Revenues........	$ 74,146	$ 99,085	$ 67,272
Homes Delivered.........	418	632	451
Average Price...........	$177,382	$156,780	$149,162

Metro Washington D.C.:			
Housing Revenues........	$ 14,398	$ 16,749	$ 36,006
Homes Delivered.........	70	75	186
Average Price...........	$205,685	$223,320	$193,581
California:			
Housing Revenues........	$ 69,252	$ 64,570	$ 27,707
Homes Delivered.........	365	325	149
Average Price...........	$189,731	$198,677	$185,953
Poland(97) and Other(95):			
Housing Revenues........	$ 2,952	--	$ 1,189
Homes Delivered.........	41	--	33
Average Price...........	$ 72,000	--	$ 36,030
Combined Total:			
Housing Revenues........	$731,807	$764,682	$740,481
Homes Delivered.........	3,717	4,134	4,244
Average Price...........	$196,881	$184,974	$174,477

Information on homes delivered by product type is set forth below:

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
	(Housing Revenues in Thousands)		
First Time Buyer Product(1)			
Housing Revenues.............	$ 52,589	$ 77,682	$108,052
Homes Delivered..............	407	619	878
Percentage of Housing Revenues....................	7%	10%	15%
Move-Up Buyer Product(2)			
Housing Revenues.............	$679,218	$687,000	$632,429
Homes Delivered..............	3,310	3,515	3,366
Percentage of Housing Revenues....................	93%	90%	85%

(1) First time buyer product consists of all of the Company's multi-family attached home products other than townhouses with garages.
(2) Move-up buyer product consists of single family detached homes and townhouses with garages.

The Company's net sales contracts increased to $762,750,000 for the year ended October 31, 1997 from $738,331,000 for the year ended October 31, 1996 or 3.3%, and was the net result of a 2.4% decrease in the number of homes contracted to 4,073 in 1997 from 4,175 in 1996 and a 5.9% increase in the average home base sales prices. On a market area and dollar basis, California achieved the highest increase of 45.3%, followed by Metro Washington D.C. with a 30.1% increase, the Northeast Region with a 5.0% increase and North Carolina with a 3.3% increase. Only Florida had a decrease due to the downsizing of the division.

During the year ended October 31, 1997 the Company has written down certain residential communities, and written off certain residential land options including approval, engineering and capitalized interest costs. In Florida the Company's return on investment has been unsatisfactory. As a result, the Company established a goal to reduce its investment in Florida by $25.0 million. To do so on an accelerated basis, it reduced prices and offered pricing concessions in most Florida residential communities. The Company also decided to sell all inactive properties in Florida. In the Northeast Region the Company changed the product type to be constructed on a parcel of land it owns. In an active community in the Northeast Region, the Company incurred unforeseen development costs. Also in the Northeast the Company decided to sell an optioned property instead of developing it. As a result, such inventories were written down in the aggregate $9,258,000 during the year ended October 31, 1997. Also in the Northeast Region three optioned properties and related approval, engineering and capitalized interest costs amounting to $4,761,000 were written off. Total writedowns and write-offs of residential inventories are presented on the consolidated statement of income as "Inventory impairment loss." See "Notes to Consolidated Financial Statements - Note 10" for additional explanation.

As of October 31, 1997, the following table summarizes the Company's active communities under development:

	Commun-	Approved	Homes	(1) Contracted Not	(2) Remaining Home Sites

	ities	Lots	Delivered	Delivered	Available
Northeast Region......	37	9,701	2,700	1,268	5,733
North Carolina........	34	3,035	1,242	225	1,568
Florida...............	6	1,943	1,359	150	434
Metro Washington D.C..	4	359	49	27	283
California............	6	1,107	426	137	544
Poland................	1	107	41	39	27
Total	88	16,252	5,817	1,846	8,589

(1) Includes 24 lots under option.

(2) Of the total home sites available, 579 were under construction or completed (including 101 models and sales offices), 3,968 were under option, and 762 were financed through purchase money mortgages.

In addition, in substantially completed or suspended developments, the Company had 43 homes under construction or completed including 25 homes which are under contract and 1 model. The Company also had 211 lots without construction (1 under contract) in these substantially completed or suspended developments.

As of October 31, 1997, the following table summarizes the Company's started or completed unsold homes:

	Unsold Homes	Models	Total
Northeast Region..................	279	63	342
North Carolina....................	83	--	83
Florida...........................	47	11	58
Metro Washington D.C..............	16	10	26
California........................	60	16	76
Poland............................	10	2	12
Total	495	102	597

BACKLOG

Sales of the Company's United States residential homes typically are made pursuant to a standard sales contract. This contract requires a nominal customer deposit at the time of signing with the remainder of a 5% to 10% down payment due 30 to 60 days after signing and provides the customer with a statutorily mandated right of rescission for a period ranging up to 15 days after execution. The contract may include a financing contingency, which permits the customer to cancel his obligation in the event mortgage financing at prevailing interest rates (including financing arranged or provided by the Company) is unobtainable within the period specified in the contract. This contingency period typically is four to eight weeks following the date of execution.

At October 31, 1997 and October 31, 1996, the Company had a backlog of signed contracts for 1,872 homes and 1,516 homes, respectively, with sales values aggregating $374,314,000 and $292,376,000, respectively. Substantially all of the Company's backlog at October 31, 1997 is expected to be completed and closed within the next twelve months. At December 31, 1997 and 1996, the Company's backlog of signed contracts was 1,779 homes and 1,685 homes, respectively, with sales values aggregating $360,969,000 and $326,795,000, respectively.

RESIDENTIAL LAND INVENTORY

It is the Company's objective to control a supply of land, primarily through options, consistent with anticipated homebuilding requirements in its housing markets. Controlled land as of October 31, 1997, exclusive of communities under development described under "Business and Properties -- Residential Development Activities," is summarized in the following table:

	Number of Proposed Communities	Proposed Developable Lots	Total Land Option Price	Book Value(1)(2)
			(In Thousands)	
Northeast Region:				
Under Option........	27	7,371	$123,734	$ 20,628

Owned...............	6	451		17,534
Total...........	33	7,822		38,162
North Carolina:				
Under Option........	4	296	$ 7,404	23
Owned...............	1	80		409
Total...........	5	376		432
Florida:				
Under Option........	1	131	$ 4,788	232
Owned...............	3	1,038		4,059
Total...........	4	1,169		4,291
Metro Washington, D.C.:				
Under Option........	1	38	$ 855	139
California:				
Under Option........	4	331	$ 21,927	3,681
Totals:				
Under Option........	37	8,167		24,703
Owned...............	10	1,569		22,002
Combined Total........	47	9,736		$ 46,705

(1) Properties under option also includes costs incurred on properties not under option but which are under investigation. For properties under option, the Company paid, as of October 31, 1997, option fees and deposits aggregating approximately $7,987,000. As of October 31, 1997, the Company spent an additional $16,716,000 in non-refundable predevelopment costs on such properties.

(2) The book value of $46,705,000 plus Poland investigation costs of $96,000 on one parcel of land, totals $46,801,000 which is identified on the balance sheet as "Inventories - land, land options, and cost of projects in planning."

In its Northeast Region, the Company's objective is to control a supply of land sufficient to meet anticipated building requirements for at least three to five years.

In North Carolina and Metro Washington, D.C., some land historically has been acquired from land developers on a lot takedown basis. Under a typical agreement with the lot developer, the Company purchases a minimal number of lots. The balance of the lots to be purchased are covered under an option agreement or a non-recourse purchase agreement. Due to the dwindling supply of improved lots in North Carolina and Metro Washington, D.C., the Company is currently optioning parcels of unimproved land for development.

In Florida, the Company is focusing its development efforts primarily in the southeast. Emphasis is principally on building single family detached homes. As a result of its decision to downsize, the Company is attempting to sell all its land in other locations, including the parcels of owned land included in the table on the previous page.

In California, the Company has focused its development efforts in the southern region. Here the emphasis is on affordable housing and will consist of single family attached and detached homes. Where possible, the Company plans to option developed or partially developed lots with no more than fifty to seventy-five lots to be taken down during any twelve month period. With a dwindling supply in California of developed lots, some land parcels will be optioned which will require the full range of development activities. Option fees range up to 10% of the land value.

CUSTOMER FINANCING

At the Company's communities, on-site personnel facilitate sales by offering to arrange financing for prospective customers through K. Hovnanian Mortgage, Inc. ("KHM"). Management believes that the ability to offer financing to customers on competitive terms as a part of the sales process is an important factor in completing sales.

KHM's business consists of providing the Company's customers with competitive financing and coordinating and expediting the loan origination transaction through the steps of loan application, loan approval and closing. KHM has its headquarters in Red Bank, New Jersey and operates origination offices in Raleigh, Charlotte and Winston-Salem, North Carolina, West Palm Beach, Florida and Newport Beach, California. Additionally, KHM originates loans in Pennsylvania and New York.

KHM's principal sources of revenues are: (i) net gains from the sale of loans; (ii) revenues from the sale of the rights to service loans; and (iii) interest income earned on mortgage loans during the period they are held by KHM prior to their sale to investors.

KHM is approved by the Government National Mortgage Association ("GNMA") as a seller-servicer of Federal Housing Administration ("FHA") and Veterans Administration ("VA") loans. A portion of the conventional loans originated by KHM (i.e., loans other than those insured by FHA or guaranteed by VA) qualify for inclusion in loan guarantee programs sponsored by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC"). KHM also originates conventional loans which are sold to a number of private investors. KHM arranges for fixed and adjustable rate, conventional, privately insured mortgages, FHA-insured or VA-guaranteed mortgages, and mortgages funded by revenue bond programs of states and municipalities.

KHM is a delegated underwriter under the FHA Direct Endorsement and VA Automatic programs in accordance with criteria established by such agencies. Additionally, KHM has delegated underwriting authority from FNMA and FHLMC. As a delegated underwriter, KHM may underwrite and close mortgage loans under programs sponsored by these agencies without their prior approval, which expedites the loan origination process.

KHM, like other mortgage bankers, customarily sells nearly all of the loans that it originates. Loans are sold either individually or in pools to GNMA, FNMA, or FHLMC or against forward commitments to institutional investors, including banks and savings and loan associations.

KHM plans to grow its mortgage banking operations. Initially, KHM focused on originating loans from customers who purchase homes from Hovnanian Enterprises, Inc. affiliates. KHM's objective is to increase the capture rate of these customers from the 42% rate achieved in fiscal 1997 to 60% over the next several years. Additionally it has reduced the time to approve a loan to under five days. KHM believes it now offers superior mortgage products and services and is exploring methods to offer its mortgage products and services to unrelated third parties. These methods include direct mailings, telemarketing activities and the solicitation of real estate and mortgage brokers.

RENTAL PROPERTY DEVELOPMENT ACTIVITIES AND LAND INVENTORY

The Company had previously diversified its business, on a limited scale, through the development, acquisition and ownership of commercial properties, primarily in central New Jersey, and, to a lesser extent, in Florida, but is exiting this business (see "Item 7 - Management's Dicsussion and Analysis of Financial Condition and Results of Operations").

CERTAIN OPERATING POLICIES AND PROCEDURES

Financial Goals. The Company has been focusing on housing margin improvement and de-emphasizing revenue growth. Housing revenues rose from $566 million during the year ended February 28, 1994 to $783 million for the year ended October 31, 1996, but dropped off to $759 million for the year ended October 31, 1997. During this time, housing margins have decreased from 18.0% in 1994 to 15.6% in 1997. To improve its housing margin, the Company is focusing on reducing overheads, increasing associate productivity and reducing construction costs by decreasing construction cycle times and using national and regional contracts. Also the Company has consolidated its vendor base and centralized purchasing functions in the Northeast Region which, when implemented in all of the Northeast Region's communities, is projected to result in increased housing margins.

Strategic Initiatives. In order to help improve housing margins the Company previously introduced three strategic initiatives. These initiatives are Partners In Excellence, Process Redesign, and Training.

Partners In Excellence (the Company's total quality management initiative) is intended to focus on improving the way operations are performed. It involves all Company associates through a systematic, team-oriented approach to improvement. It increases the Company's profits by streamlining processes and by reducing errors which cost money. The Company was recognized for its efforts by receiving the 1997 gold National Housing Quality Award from Professional Builder and The NAHB Research Center.

Process Redesign is a fundamental rethinking and radical redesign of our processes to achieve dramatic improvements in performance. The Company's Process Redesign efforts are currently focused on two areas: financial planning and reporting and home construction. The financial planning and reporting team is intended to integrate systems and provide flexible and easy access to data from all operating areas in the Company. The home construction team is analyzing the entire production process. It is working to improve estimating, bidding, contracting, budgeting, scheduling, work/materials ordering, receiving, inspecting, and payment processing.

Training is designed to provide our associates with the knowledge, attitudes, skill and habits necessary to succeed at their jobs. The Company's Training Department regularly conducts training classes in sales, construction, administrative, and managerial areas. In addition, as Process Redesign develops new systems, the Training Department is responsible for educating the Company's associates on the systems, procedures, and operations.

Land Acquisition, Planning and Development. Before entering into a contract to acquire land, the Company completes extensive comparative studies and analyses which assist the Company in evaluating the economic feasibility of such land acquisition. The Company generally follows a policy of acquiring options to purchase land for future community developments. The Company attempts to acquire land with a minimum cash investment and negotiate takedown options, thereby limiting the financial exposure to the amounts invested in property and predevelopment costs. This policy of land acquisition may somewhat raise the price of land that the Company acquires, but significantly reduces risk. Further, this policy generally allows the Company to obtain necessary development approvals before acquisition of the land, thereby enhancing the value of the options and the land eventually acquired.

The Company's option and purchase agreements are typically subject to numerous conditions, including, but not limited to, the Company's ability to obtain necessary governmental approvals for the proposed community. Generally, the deposit on the agreement will be returned to the Company if all approvals are not obtained, although predevelopment costs may not be recoverable. By paying an additional, nonrefundable deposit, the Company has the right to extend a significant number of its options for varying periods of time. In all instances, the Company has the right to cancel any of its land option agreements by forfeiture of the Company's deposit on the agreement. In such instances, the Company generally is not able to recover any predevelopment costs.

The Company's development activities include site planning and engineering, obtaining environmental and other regulatory approvals and constructing roads, sewer, water and drainage facilities, and for the Company's residential developments, recreational facilities and other amenities. These activities are performed by the Company's staff, together with independent architects, consultants and contractors. The Company's staff also carries out long-term planning of communities.

Design. The Company's residential communities are generally located in suburban areas near major highways. The communities are designed as neighborhoods that fit existing land characteristics. The Company strives to create diversity within the overall planned community by offering a mix of homes with differing architecture, textures and colors. Wherever possible, recreational amenities such as a swimming pool, tennis courts and tot lots are included.

Construction. The Company designs and supervises the development and building of its communities. Its homes are constructed according to standardized prototypes which are designed and engineered to provide innovative product design while attempting to minimize costs of construction. The Company employs subcontractors for the installation of site improvements and construction of homes. Agreements with subcontractors are generally short term and provide for a fixed price for labor and materials. The Company rigorously controls costs through the use of a computerized monitoring system. Because of the risks involved in speculative building, the Company's general policy is to construct a residential multi-family building only after signing contracts for the sale of at least 75% of the homes in that building. Single family detached homes are usually constructed after the signing of a contract and mortgage approval has been obtained.

Materials and Subcontractors. The Company attempts to maintain efficient operations by utilizing standardized materials available from a variety of sources. In addition, the Company contracts with subcontractors representing all building trades in connection with the construction of its homes. In recent years, the Company has experienced no material construction delays due to shortages of materials or labor. The Company cannot predict, however, the extent to which shortages in necessary materials or labor may occur in the future.

Marketing and Sales. The Company's residential communities are sold principally through on-site sales offices. In order to respond to its customers' needs and trends in housing design, the Company relies upon its internal market research group to analyze information gathered from, among other sources, buyer profiles, exit interviews at model sites, focus groups and demographic data bases. The Company makes use of newspaper, radio, magazine, billboard, video and direct mail advertising, special promotional events, illustrated brochures, full-sized and scale model homes in its comprehensive marketing program. For the year ended October 31, 1997, the Company's advertising expenditures totaled $12,559,000.

Customer Service and Quality Control. The Company's associates responsible for customer service participate in pre-closing quality control inspection as well as responding to post-closing customer needs. Prior to closing, each home is inspected and any necessary completion work is undertaken by the Company. In some of its markets the Company is also enrolled in a standard limited warranty program which, in general, provides a homebuyer with a one-year warranty for the home's materials and workmanship, a two-year warranty for the home's heating, cooling, ventilating, electrical and plumbing systems and a ten-year warranty for major structural defects. All of the warranties contain standard exceptions, including, but not limited to, damage caused by the customer.

Customer Financing. The Company sells its homes to customers who generally finance their purchases through mortgages. During the year ended October 31, 1997, approximately 42% of the Company's customers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiary, with a substantial portion of the Company's remaining customers obtaining mortgages from various independent lending institutions. Mortgages originated by the Company's wholly-owned mortgage banking subsidiary are sold in the secondary market.

Financing arrangements with independent lending institutions are at prevailing rates and on terms in accordance with the lending institutions policies. Mortgages offered by the Company's subsidiary are on terms similar to those offered by independent lending institutions. There are no assurances that mortgage financing will remain readily available to the Company's customers at affordable rates.

COMPETITION

The Company's residential business is highly competitive. The Company competes in each of the geographic areas in which it operates with numerous real estate developers, ranging from small local builders to larger regional and national builders and developers, some of which have greater sales and financial resources than the Company. Resales of housing and the availability of rental housing provide additional competition. The Company competes primarily on the basis of reputation, price, location, design, quality, service and amenities.

REGULATION AND ENVIRONMENTAL MATTERS

General. The Company is subject to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations which impose restrictive zoning and density requirements in order to limit the number of homes that can eventually be built within the boundaries of a particular locality. In addition, the Company is subject to registration and filing requirements in connection with the construction, advertisement and sale of its communities in certain states and localities in which it operates even if all necessary government approvals have been obtained. The Company may also be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums that could be implemented in the future in the states in which it operates. Generally, such moratoriums relate to insufficient water or sewerage facilities or inadequate road capacity.

Environmental. The Company is also subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning protection of health and the environment ("environmental laws"). The particular environmental laws which apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause the Company to incur substantial compliance and other costs, and prohibit or severely restrict development in certain environmentally sensitive regions or areas.

The Florida Growth Management Act of 1985 became fully effective in Palm Beach County on February 1, 1990. The act requires that infrastructure, including roads, sewer and water lines must be in existence concurrently with the construction of the development. If such infrastructure is not concurrently available, then the community cannot be developed. This will have an effect on limiting the amount of land available for development and may delay approvals of some developments.

Fair Housing Act. In July 1985, New Jersey adopted the Fair Housing Act which established an administrative agency to adopt criteria by which municipalities will determine and provide for their fair share of low and moderate income housing. This agency adopted such criteria in May 1986. Its implementation thus far has caused some delay in approvals for some of the Company's New Jersey communities and may result in a reduction in the number of homes planned for some properties.

Both prior to the enactment of the Fair Housing Act and in its implementation thus far, municipal approvals in some of the New Jersey municipalities in which the Company owns land or land options required the Company to set aside up to 22% of the approved homes for sale at prices affordable to persons of low and moderate income. In order to comply with such requirements, the Company must sell these homes at a loss. The Company attempts to reduce some of these losses through increased density, certain cost saving construction measures and reduced land prices from the sellers of property. Such losses are absorbed by the market priced homes in the same developments.

State Planning Act. Pursuant to the 1985 State Planning Act, the New Jersey State Planning Commission has adopted a State Development and Redevelopment Plan ("State Plan"). The State Plan, if fully implemented, would designate large portions of the state as unavailable for development or as available for development only at low densities, and other portions of the state for more intense development. State government agencies would be required to make permitting decisions in accordance with the State Plan, if it is fully implemented. The state government agencies have not yet adopted policies and regulations to fully implement the State Plan. However, at least one state agency has issued an Executive Order requiring compliance with the State Plan. It is unclear what effect this Executive Order may have on the Company's ability to develop its lands.

Conclusion. Despite the Company's past ability to obtain necessary permits and approvals for its communities, it can be anticipated that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although the Company cannot predict the effect of these requirements, they could result in time-consuming and expensive compliance programs and substantial expenditures for pollution and water quality control, which could have a material adverse effect on the Company. In addition, the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond the Company's control, such as changes in policies, rules and regulations and their interpretation and application.

Company Offices. The Company owns its corporate headquarters, a four-story, 24,000 square feet office building located in Red Bank, New Jersey, a 17,450 square feet office building located in Winston-Salem, North Carolina, and 17,225 square feet in a Middletown, New Jersey condominium office building. The Company leases office space consisting of 38,600 square feet in various New Jersey locations, 8,400 square feet in Fairfax, Virginia, 13,000 square feet in various North Carolina locations, 15,900 square feet in West Palm Beach, Florida, and 8,100 square feet in southern California.

ITEM 3 - LEGAL PROCEEDINGS

During fiscal 1989, the Company became aware that a certain fire-retardant plywood commonly used in the roof construction of multi-family homes may contain a product defect causing accelerated deterioration of the plywood. The Company has determined that such plywood was used principally in 33 of its communities containing approximately 11,750 homes.

Common areas, including roofs, in each of the Company's multi-family condominium developments are governed and controlled by homeowners' associations for each development, rather than by individual homeowners. Certain of the 33 homeowners' associations in the affected developments have asserted claims against the Company. As of October 31, 1995, the Company had entered separate agreements with all 33 associations (the "Settling Associations").

In August 1989 the Company brought suit in an action entitled K. Hovnanian at Bernards I, Inc., et al. v. Hoover Treated Wood Products, Inc., et al. (No. L-11822-89) in the Superior Court, Law Division, Middlesex County, New Jersey against the plywood material manufacturers, treaters, suppliers and others (the "Defendants") to determine the proper responsibility for damages, to protect its interests and to recover its damages.

In November 1992 the Company and the Settling Associations entered into a settlement agreement with most of the Defendants. Based upon the settlement monies received, the use of the Settling Associations' roof shingle reserves, and the actual expenditures in performing the repairs, the Company believes the repair costs will not require it to set aside future reserves for such roof repairs. Currently the Company believes there is no additional liability relating to fire-retardant plywood.

In addition, the Company is involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the year ended October 31, 1997 no matters were submitted to a vote of security holders.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information on executive officers of the registrant is incorporated herein from Part III, Item 10.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The number of shares and all data presented on a per share basis in this Form 10-K have been adjusted to give effect to all stock splits. The Company's Class A Common Stock is traded on the American Stock Exchange and was held by approximately 930 shareholders of record at January 2, 1998. There is no established public trading market for the Company's Class B Common Stock, which was held by approximately 750 shareholders of record at January 2, 1998. In order to trade Class B Common Stock, the shares must be converted into Class A Common Stock on a one-for-one basis. The high and low sales prices for the Company's Class A Common Stock were as follows for each fiscal quarter during the years ended October 31, 1997, 1996, and 1995:

	Class A Common Stock					
	Oct. 31, 1997		Oct. 31, 1996		Oct. 31, 1995	
Quarter	High	Low	High	Low	High	Low
First........	$7.63	$5.63	$7.75	$6.25	$6.25	$4.75
Second.......	$7.00	$6.25	$8.25	$6.25	$6.50	$5.00
Third........	$7.13	$5.69	$7.25	$5.06	$7.13	$5.25
Fourth.......	$8.13	$6.75	$6.63	$5.50	$8.25	$5.31

Certain debt instruments to which the Company is a party contain restrictions on the payment of cash dividends. As a result of the most restrictive of these provisions, approximately $41,578,000 was free of such restrictions at October 31, 1997. The Company has never paid dividends nor does it currently intend to pay dividends.

ITEM 6 - SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected financial data for the Company and its consolidated subsidiaries and should be read in conjunction with the financial statements included elsewhere in this Form 10-K. Per common share data and weighted average number of common shares outstanding reflect all stock splits.

Summary Consolidated Income Statement Data	Year Ended October 31, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(In Thousands Except Per Share Data)					
Revenues......................	$784,136	$807,464	$777,745	$386,585	$587,010	$429,315
Expenses......................	796,260	782,458	756,091	402,090	557,859	414,790
Income(loss) before income taxes and extraordinary loss.	(12,124)	25,006	21,654	(15,505)	29,151	14,525
State and Federal income taxes.	(5,154)	7,719	7,526	(5,075)	9,229	4,735
Extraordinary loss............	--	--	--	--	(1,277)	--
Net income (loss).............	$ (6,970)	$ 17,287	$ 14,128	$(10,430)	$ 18,645	$ 9,790
Earnings per common share:						
Income (loss) before extraordinary loss.........	$ (0.31)	$ 0.75	$ 0.61	$ (.46)	$ .87	$ .43
Extraordinary loss..........	--	--	--	--	(.05)	--
Net income (loss).............	$ (0.31)	$ 0.75	$ 0.61	$ (.46)	$ .82	$ .43
Weighted average number of common shares outstanding....	22,615	23,037	23,032	22,906	22,821	22,775

Summary Consolidated Balance Sheet Data	October 31, 1997	October 31, 1996	October 31, 1995	October 31, 1994	February 28, 1994	February 28, 1993
Total assets..................	$637,082	$614,111	$645,378	$612,925	$539,602	$465,029
Mortgages and notes payable....	$184,519	$145,336	$183,044	$167,179	$ 68,244	$ 66,699
Bonds collateralized by mortgages receivable.........	$ 7,855	$ 9,231	$ 17,880	$ 20,815	$ 30,343	$ 39,914
Participating senior subordinated debentures and subordinated notes.......	$190,000	$200,000	$200,000	$200,000	$200,000	$152,157
Stockholders' equity..........	$178,762	$193,622	$176,335	$162,130	$171,001	$151,937

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash uses during the twelve months ended October 31,1997 were for operating expenses, seasonal increases in housing inventories, construction, income taxes and interest. The Company provided for its cash requirements from outside borrowings, the revolving credit facility, the sale of a commercial facility, and land purchase notes, as well as from housing, land sales, and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

In December 1996 the Board of Directors authorized a stock repurchase program to purchase up to 2 million shares of Class A Common Stock. As of October 31, 1997, 1,184,400 shares were repurchased under this program.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") which provides a revolving credit line and letter of credit line of up to $245,000,000 through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or Libor plus 1.625%. The Company believes that it will be able either to extend the Agreement beyond March 2000 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility. The Company currently is in compliance and intends to maintain compliance with its covenants under the Agreement. As of October 31, 1997, borrowings under the Agreement were $95,000,000.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of October 31, 1997 was $190,000,000. Annual sinking fund payments of $10,000,000 and $20,000,000 are required in April 2001 and 2002, respectively, with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005, respectively.

The Company's mortgage banking subsidiary borrows under a bank warehousing arrangement. Other finance subsidiaries formerly borrowed from a multi-builder owned financial corporation and a builder owned financial corporation to finance mortgage backed securities but in fiscal 1988 decided to cease further borrowing from multi-builder and builder owned financial corporations. These non-recourse borrowings have been generally secured by mortgage loans originated by one of the Company's subsidiaries. As of October 31, 1997, the aggregate outstanding principal amount of such borrowings was $53,678,000.

The book value of the Company's inventories, rental condominiums, and commercial properties completed and under development amounted to the following:

	October 31, 1997	October 31, 1996
Residential real estate inventory.......	$410,393,000	$376,307,000
Residential rental property............	11,412,000	12,190,000
Total residential real estate.......	421,805,000	388,497,000
Commercial properties..................	38,946,000	53,204,000
Combined Total.....................	$460,751,000	$441,701,000

Total residential real estate increased $33,308,000 from October 31, 1996 to October 31, 1997 as a result of an inventory increase of $51,407,000 which was partially offset by the reallocation of land and approval costs to commercial properties (see below), the writedown of certain communities under development or land held for sale, and the write-off of optioned parcels of land and related approval, engineering and capitalized interests costs. See "Notes to Consolidated Financial Statements - Note 10." The increase in residential real estate inventory was primarily due to the Company's efforts to increase deliveries in its first quarter requiring higher inventory levels which were offset somewhat by the Company reducing inventories in the Florida market where competition has reduced its sales volume. Residential homes under construction or completed and included in residential real estate inventory at October 31, 1997 are expected to be closed during the next twelve months. Most residential real estate completed or under development is financed through the Company's line of credit and subordinated indebtedness.

The following table summarizes housing lots included in the Company's total residential real estate:

	Total Home Lots	Contracted Not Delivered	Remaining Lots Available
October 31, 1997:			
Owned..........................	8,266	1,848	6,418
Optioned.......................	12,159	24	12,135
Total........................	20,425	1,872	18,553
October 31, 1996:			
Owned..........................	9,819	1,440	8,379
Optioned.......................	12,041	76	11,965
Total........................	21,860	1,516	20,344

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

	October 31, 1997			October 31, 1996		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast Region....	279	63	342	242	71	313
North Carolina......	83	--	83	68	--	68
Florida.............	47	11	58	51	10	61
Virginia............	16	10	26	18	3	21
California..........	60	16	76	67	24	91
Poland..............	10	2	12	2	2	4
Total	495	102	597	448	110	558

Previously the Company's commercial properties represented long-term investments in commercial and retail facilities completed or under development. At the end of the second quarter the Company announced it was planning an orderly exit from the business of owning investment properties. The Company plans to sell its investment properties (except for the two senior citizen rental communities) which after the elimination of debt will net approximately $35.0 million to be redeployed in its residential homebuilding business. Management believes redeployment of this capital will enhance future profitability of the Company. In accordance with FAS 121, the Company reevaluated such properties as held for sale. Since certain investment properties' carrying amounts exceeded the fair value less selling costs, an impairment loss was recorded against the related asset. These writedowns were on New Jersey and Florida properties. See "Notes to Consolidated Financial Statements - Note 10." In New Jersey the Company also wrote off the costs related to an option and related approval, engineering and capitalized interest costs. The writedowns and write-offs of investment properties amounted to $14,446,000. The writedowns and write-offs were partially offset by the reallocation of land and approval costs on a multi-use parcel of land. As a result of the reallocation, $7,143,000 was added to investment properties held for sale from homebuilding land held for future development.

Since the announcement, the Company sold one retail center which had a book value of $10,117,000 at October 31, 1996 and a loan balance of $11,376,000 at the time of sale, for $15,100,000. The remaining commercial properties with a book value of $38,946,000 and a loan balance of $19,241,000, both at October 31, 1997 have an estimated sales value of approximately $54,000,000. In November 1997, four properties with a book value of $19,585,000 and a loan balance of $13,530,000 at October 31, 1997 were sold for $24,700,000. The balance of the properties are expected to be sold before October 31, 1998. In addition, a 50% owned partnership is under contract to sell its retail center. Net proceeds to the Company from the sale should amount to approximately $2,600,000.

Collateral Mortgage Financing - collateral for bonds payable consist of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which $47,660,000 and $57,095,000 at October 31, 1997 and October 31, 1996, respectively, are being temporarily warehoused and awaiting sale in the secondary mortgage market. The balance of mortgage loans held for sale is being held as an investment by the Company. The Company may incur risk with respect to mortgages that are delinquent, but only to the extent the losses are not covered by mortgage insurance or resale value of the house. Historically, the Company has incurred minimal credit losses.

RESULTS OF OPERATIONS

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprised primarily of New Jersey, southern New York state, and eastern Pennsylvania), in southeastern Florida, North Carolina, Metro Washington, D. C. (northern Virginia), southern California, and Poland. Operations in Poland began for the first time during the year ended October 31, 1996, but deliveries did not occur until the year ended October 31, 1997. In addition, the Company had developed and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida, but is exiting this business (see "Investment Properties" below).

During the years ended October 31, 1997, 1996, and 1995, the Company's Northeast Region and North Carolina Division housing operations consistently produced operating profits. In fiscal 1997 the Company's California housing operations produced a small profit for the first time since its startup in 1994. These profits have been reduced by net losses from its other housing divisions, its other operations, the writedown of certain residential inventories and commercial properties to their estimated fair value and the write-off of optioned properties and related approval, engineering and capitalized interest costs. See "Notes to Consolidated Financial Statements - Note 10".

Total Revenues

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

	Year Ended October 31, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
	(Dollars in Thousands)		
Homebuilding:			
Sale of homes	$(32,875)	$ 24,201	$ 69,611
Land sales and other revenues	8,371	3,214	5,640
Financial services	(481)	868	(25)
Investment properties	2,838	1,388	(792)
Collateralized mortgage financing	(1,181)	48	(1,132)
Total change	$(23,328)	$ 29,719	$ 73,302
Percent change	(2.9%)	3.8%	10.4%

Homebuilding

Compared to the same prior period, housing revenues decreased $32.9 million or 4.3% for the year ended October 31, 1997, after increasing $24.2 million or 3.3% for the year ended October 31, 1996, and $69.6 million or 10.4% for the year ended October 31, 1995. Housing revenues are recorded at the time each home is delivered and title and possession have been transferred to the buyer.

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

	Year Ended October 31, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
	(Dollars in Thousands)		
Northeast Region:			
Housing Revenues	$445,817	$460,931	$492,388
Homes Delivered	2,128	2,364	2,707
North Carolina:			
Housing Revenues	$125,242	$123,347	$115,919
Homes Delivered	695	738	718

Florida:			
Housing Revenues	$ 74,146	$ 99,085	$ 67,272
Homes Delivered	418	632	451
Metro Washington, D. C.:			
Housing Revenues	$ 14,398	$ 16,749	$ 36,006
Homes Delivered	70	75	186
California:			
Housing Revenues	$ 69,252	$ 64,570	$ 27,707
Homes Delivered	365	325	149
Poland (97) and Other(95):			
Housing Revenues	$ 2,952	--	$ 1,189
Homes Delivered	$ 41	--	33
Totals:			
Housing Revenues	$731,807	$764,682	$740,481
Homes Delivered	3,717	4,134	4,244

The overall decrease in housing revenues is a combination of fewer deliveries offset somewhat by increases in average sales prices. The decrease in the number of homes delivered during the year ended October 31, 1997 is primarily due to the decreased deliveries in the Northeast Region and Florida. The decrease in the Northeast was due to the timing of deliveries and the Company's desire to even out deliveries over the four quarters of fiscal 1998. In Florida, deliveries declined since the Company cut back its operations due to a highly competitive market. The increased average sales prices are primarily the result of diversifying the Company's product mix in the Northeast Region to include more detached single family homes and larger townhouses with garages designed for the move-up buyer. In Florida, average sales prices increased as a result of fewer communities, all of which are higher priced single family developments. In North Carolina, average sales prices increased primarily due to the addition of higher priced communities. In Metro Washington, D.C. average sales prices decreased because there was a lower percentage of single family detached homes delivered. In California sales prices decreased due to a change in product mix to smaller less expensive homes.

Unaudited quarterly housing revenues and sales contracts using base sales prices by market area for the years ending October 31, 1997, 1996, and 1995 are set forth below:

	Quarter Ended			
	October 31, 1997	July 31, 1997	April 30, 1997	January 31, 1997
	(In Thousands)			
Housing Revenues:				
Northeast Region	$193,513	$118,186	$ 70,678	$ 63,440
North Carolina	41,566	35,293	26,341	22,042
Florida	28,951	14,325	17,042	13,828
Metro Washington, D.C.	5,214	2,759	3,018	3,407
California	23,317	15,113	18,489	12,333
Poland	1,212	1,008	667	65
Total	$293,773	$186,684	$136,235	$115,115
Sales Contracts (Net of Cancellations):				
Northeast Region	$134,280	$124,860	$118,840	$ 92,544
North Carolina	29,409	30,339	35,988	31,506
Florida	11,134	15,296	21,399	9,708
Metro Washington, D.C.	5,618	3,761	5,279	2,478
California	24,255	22,785	22,383	16,268
Poland	2,109	436	468	1,607
Total	$206,805	$197,477	$204,357	$154,111

	Quarter Ended			
	October 31, 1996	July 31, 1996	April 30, 1996	January 31, 1996
	(In Thousands)			
Housing Revenues:				
Northeast Region	$210,951	$112,665	$ 81,950	$ 55,365
North Carolina	44,334	33,506	24,445	21,062

Florida	38,910	21,407	20,890	17,878
Metro Washington, D.C.	5,538	3,614	3,200	4,397
California	25,747	15,936	13,019	9,868
Total	$325,480	$187,128	$143,504	$108,570
Sales Contracts (Net of Cancellations):				
Northeast Region	$149,930	$ 94,933	$147,576	$ 55,785
North Carolina	28,973	31,485	43,136	19,594
Florida	13,485	19,668	41,003	19,315
Metro Washington, D.C.	1,638	2,249	5,821	3,463
California	16,419	14,847	19,496	8,209
Poland	1,306	--	--	--
Total	$211,751	$163,182	$257,032	$106,366

	Quarter Ended			
	October 31, 1995	July 31, 1995	April 30, 1995	January 31, 1995
	(In Thousands)			
Housing Revenues:				
Northeast Region	$228,548	$101,431	$ 89,536	$ 72,874
North Carolina	41,581	29,670	23,083	21,585
Florida	23,387	14,037	13,931	15,917
Metro Washington, D.C.	9,764	12,335	9,021	4,886
California	16,545	5,902	3,166	2,094
Other	--	--	870	318
Total	$319,825	$163,375	$139,607	$117,674
Sales Contracts (Net of Cancellations):				
Northeast Region	$102,506	$104,449	$115,774	$ 78,964
North Carolina	28,494	33,017	32,208	25,529
Florida	19,197	17,541	19,734	13,214
Metro Washington, D.C.	4,621	9,325	13,719	5,094
California	13,624	10,989	7,014	4,227
Other	--	--	751	42
Total	$168,442	$175,321	$189,200	$127,070

The Company's contract backlog using base sales prices by market area is set forth below:

	October 31, 1997	October 31, 1996	October 31, 1995
	(Dollars in Thousands)		
Northeast Region:			
Total Contract Backlog	$266,889	$198,248	$176,517
Number of Homes	1,287	977	885
North Carolina:			
Total Contract Backlog	$ 45,879	$ 43,587	$ 43,336
Number of Homes	232	233	253
Florida:			
Total Contract Backlog	$ 25,315	$ 36,910	$ 36,213
Number of Homes	150	217	243
Metro Washington, D. C.:			
Total Contract Backlog	$ 7,621	$ 4,252	$ 6,592
Number of Homes	27	24	28
California:			
Total Contract Backlog	$ 25,636	$ 8,073	$ 13,043
Number of Homes	137	46	67
Poland:			
Total Contract Backlog	2,974	$ 1,306	--
Number of Homes	39	19	--
Totals:			
Total Contract Backlog	$374,314	$292,376	$275,701
Number of Homes	1,872	1,516	1,476

The Company has written down or written off certain residential inventories $14.0 million, $1.6 million and $2.8 million during the years ended October 31, 1997, 1996, and 1995, respectively, to their estimated fair value. See "Notes to Consolidated Financial Statements - Note 10" for additional explanation. These writedowns and writeoffs were incurred primarily because of lower property values due to economic downturns, a change in the marketing strategy to liquidate a particular property, or the decision not to exercise an option.

During the year ended October 31, 1997 the Company has written down certain residential communities, and written off certain residential land options including approval, engineering and capitalized interest costs. In Florida the Company's return on investment has been unsatisfactory. As a result, the Company established a goal to reduce its investment in Florida by $25.0 million. To do so on an accelerated basis, it reduced prices and offered pricing concessions in all Florida residential communities. The Company also decided to sell all inactive properties in Florida. In the Northeast Region the Company changed the product type to be constructed on a parcel of land it owns. In an active community in the Northeast Region the Company incurred unforeseen development costs. Also in the Northeast the Company decided to sell an optioned property instead of developing it. The result of the above decisions was a reduction in fair values below carrying amounts and, in accordance with FAS 121, the Company recorded an impairment loss on the related inventories. At October 31, 1997 residential inventories were reduced $9.3 million to reduce such inventories to estimated fair value. The Northeast Region also wrote off costs associated with three option properties and related approval, engineering and capitalized interest costs amounting to $4.7 million. In two cases, the Company decided not to exercise the option due to environmental problems. The third option was not exercised because the community's proforma profitability did not produce an adequate return on investment commensurate with the risk.

The writedowns of residential inventories during the years ended October 31, 1996 and October 31, 1995 were primarily attributable to one community in New York, two in New Jersey, a parcel of land in Florida, and four communities in Metro Washington, D.C. In the New York community, the 1995 writedown is an addition to 1994 and prior years' reserves due to reduced sales prices, buyers' concessions, and an extended sellout period. In New Jersey the 1996 and 1995 writedowns were due to the change in use of a parcel of land from residential to commercial and due to the termination of home sales in a community and the offering of the remaining owned lots for sale, respectively. In Florida a parcel of idle land was written down in 1996 due to a decline in land values. In Metro Washington, D.C. the 1996 writedown was primarily due to reduced sales prices in one community. The 1995 writedown was also due to the termination of home sales in two communities and the offering of the remaining owned lots for sale. Also in Metro Washington, D.C. a reserve was taken in 1995 against a parcel of land which the Company is attempting to liquidate through lot sales and increased in 1996 due to continued decline in lot values. At October 31, 1996 and 1995 residential inventories were reduced $5.1 million and $9.6 million, respectively, to reduce such inventories to estimated fair value.

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

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
	(Dollars In Thousands)		
Sale of homes	$731,807	$764,682	$740,481
Cost of sales	617,312	638,944	617,681
Housing gross margin	$114,495	$125,738	$122,800
Gross margin percentage	15.6%	16.4%	16.6%

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

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
	(Dollars In Thousands)		
Sale of homes	100.0%	100.0%	100.0%

Cost of sales:			
Housing, land and development costs.......	76.0	75.5	75.1
Commissions..............	2.0	1.7	1.9
Financing concessions....	0.9	1.0	0.8
Overheads................	5.5	5.4	5.6
Total cost of sales........	84.4	83.6	83.4
Gross margin...............	15.6%	16.4%	16.6%

The Company sells a variety of home types in various local communities, each yielding a different gross margin. As a result, depending on the mix of both communities and of home types delivered, consolidated gross margin will fluctuate up or down. During the year ended October 31, 1997 gross margins decreased in all the Company's markets compared to the same period last year. This decline was primarily caused by higher housing, land and development costs and commission expenses. 0.3% of the increase was the result of unforeseen development costs in one community in the Northeast Region. The balance of the increase in housing, land and development costs was due to a higher number of communities not obtaining acceptable housing, land and development cost performance. The increase in commissions was the result of more co-broker sales and sales associate incentives to increase sales.

During the year ended October 31, 1996 gross margins improved in all the Company's markets except Metro Washington, D.C. compared to the year ended October 31, 1995. These increases were offset by a change in geographic and product mix with an additional 6.2% of home deliveries coming from outside the Northeast Region where gross margins are traditionally lower.

Selling and general administrative expenses increased $1.8 million and $0.8 million for the years ended October 31, 1997 and 1996, respectively. As a percentage of homebuilding revenues such expenses increased to 8.2% for the year ended October 31, 1997 from 7.7% for the year ended October 31, 1996 which had decreased from 7.9% for the prior year. The dollar increase is due primarily to increased advertising and sales center operations. The percentage increase during the year ended October 31, 1997 was due to increased costs while home deliveries declined. The percentage decrease in 1996 was due to increased deliveries.

Land Sales and Other Revenues

Land sales and other revenues consist primarily of land and lot sales, interest income, contract deposit forfeitures, corporate owned life insurance benefits, and California housing management operations.

A breakout of land and lot sales is set forth below:

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
	(In Thousands)		
Land and lot sales..................	$22,855	$13,998	$ 8,101
Cost of sales.......................	17,005	12,548	6,714
Land and lot sales gross margin......	$ 5,850	$ 1,450	$ 1,387

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

During the year ended October 31, 1995 other revenues also included a $1.0 million gain from the sale of an investment and $1.2 million of net interest receipts due to amendments to prior years' Federal income tax returns. In 1994 the Company purchased a home building and management company in California. Although no new management contracts were obtained, existing contracts resulted in $1.0 million of revenues for the year ended October 31, 1995. Included in Other Operations (see below) are expenses associated with the California homebuilding management operations and amortization of all of the acquisition price.

Financial Services

Financial services consists primarily of originating mortgages from sales of the Company's homes, and selling such mortgages in the secondary market.

Approximately 42%, 41%, and 34% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1997, 1996, 1995, respectively. The Company's mortgage banking goals are to improve profitability by increasing the capture rate of its homebuyers and expanding its business to include originations from unrelated mortgages. In addition, its goals included reducing expenses by reducing mortgage processing time. The processing time from application to issuance of approval was reduced to an average of under 10 days. As a result of increased capture rates of Company homebuyers, the Company expects to be profitable in fiscal 1998 and beyond. Most servicing rights on new mortgages originated by the Company will be sold as the loans are closed.

Investment Properties

Investment Properties consist of rental properties, property management, and gains or losses from sale of such property. See "Capital Resources and Liquidity" for information on the Company's decision to sell its investment properties. As a result, the Company wrote down or wrote off investment property assets of $14,446,000. At October 31, 1997, the Company owned and was leasing two office buildings, three office/warehouse facilities, one retail center, and two senior citizen rental communities. The Company plans to liquidate all properties (except for senior rentals) by October 31, 1998. During the years ended October 31, 1997 and 1996, investment property revenues included a $4.9 million pretax gain and a $2.0 million pretax gain, respectively, from the sale of two retail centers, one in each year. Investment properties' expenses do not include interest expense (see "Interest" below).

Collateralized Mortgage Financing

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

Corporate General and Administrative

Corporate general and administration expenses includes the operations at the Company's headquarters in Red Bank, New Jersey. As a percentage of total revenues such expenses were 1.9%, 1.7%, and 1.7% for the years ended October 31, 1997, 1996, and 1995, respectively. Such expenses include the Company's long term improvement initiatives of total quality, process redesign (net of capitalized expenses), and training. Such initiatives resulted in additional expenses for the years ended October 31, 1997, 1996, and 1995 amounting to $2.2 million, $1.6 million, and $2.0 million, respectively. In 1997 all Corporate bonuses to be paid based on Return on Equity were eliminated due to the net loss for the year. For the year ended October 31, 1996 such expenses included a one-time insurance adjustment. In 1997 and 1996 such expenses also included increased depreciation on recently acquired computer equipment for all Company locations and increased Information Services operations.

The Company has assessed and formulated a plan to resolve any year 2000 issues. The plan includes internal and external resources. The Company does not anticipate this plan to have a material impact on future earnings and is expected to be completed by the end of fiscal 1999.

Interest

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

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
	(In Thousands)		
Sale of homes..................	$ 29,505	$ 25,992	$ 24,706
Land and lot sales............	962	657	735
Rental properties.............	5,308	5,508	5,303
Total..........................	$ 35,775	$ 32,157	$ 30,744

Housing interest as a percentage of sale of home revenues amounted to 4.0%, 3.4%, and 3.3% for the years ended October 31, 1997, 1996, and 1995, respectively. The increase in the percentage for the year ended October 31, 1997 was primarily the result of the Company discontinuing the capitalization of interest on communities in planning which were not under active development. As a result, interest expense increased approximately $2.8 million for the year ended October 31, 1997.

Other Operations

Other operations consisted primarily of miscellaneous residential housing operations, amortization of prepaid subordinated note issuance expenses, corporate owned life insurance loan interest, and California housing management operations (see "Land Sales and Other Revenues" above). During the year ended October 31, 1995 other expenses included California housing management expenses and amortization of purchased management contracts amounting to $1.2 million. The years ended October 31, 1996 and 1995 also included the cost of organizational restructuring amounting to $0.3 million and $1.3 million, respectively, in the Northeast Region and California.

Total Taxes

Net tax benefits as a percentage of the loss before income taxes amounted to 42.5% for the year ended October 31, 1997. Total taxes as a percentage of income before income taxes amounted to 30.9% and 34.8% for the years ended October 31, 1996 and 1995, respectively. Deferred federal and state income tax assets primarily represents the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years. (See "Notes to Consolidated Financial Statements - Note 9" for an additional explanation of taxes.)

Inflation

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

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

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements of Hovnanian Enterprises, Inc. and its consolidated subsidiaries are set forth herein beginning on Page F-1.

Item 9 - CHANGES IN OR DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the years ended October 31, 1997, 1996, and 1995, there have not been any changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10, except as set forth below under the heading "Executive Officers of the Registrant", is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held on April 14, 1998, which will involve the election of directors.

Executive Officers of the Registrant

The executive officers of the Company are listed below and brief summaries of their business experience and certain other information with respect to them are set forth following the table. Each executive officer holds such office for a one year term.

Name	Age	Position	Year Started With Company
Kevork S. Hovnanian	74	Chairman of the Board and Director of the Company.	1967
Ara K. Hovnanian	40	Chief Executive Officer, President and Director of the Company.	1967
Paul W. Buchanan	47	Senior Vice President-Corporate Controller and Director of the Company.	1981
William L. Carpitella	43	Senior Vice President, Organizational Development	1997
Peter S. Reinhart	47	Senior Vice President and General Counsel and Director of the Company.	1978
John J. Schimpf	48	Executive Vice President and Director of the Company.	1981
J. Larry Sorsby	42	Senior Vice President, Treasurer and Chief Financial Officer and Director of the Company	1988

Mr. K. Hovnanian founded the predecessor of the Company in 1959 (Hovnanian Brothers, Inc.) and has served as Chairman of the Board of the Company since its incorporation in 1967. Mr. K. Hovnanian was also Chief Executive Officer of the Company from 1967 to July 1997.

Mr. A. Hovnanian was appointed President in April 1988, after serving as Executive Vice President from March 1983. He has also served as Chief Executive Officer since July 1997. Mr. A. Hovnanian was elected a Director of the Company in December 1981. Mr. A. Hovnanian is the son of Mr. K. Hovnanian.

Mr. Buchanan was appointed Senior Vice President-Corporate Controller in May 1990, after serving as Vice President-Corporate Controller from March 1983. Mr. Buchanan was elected a Director of the Company in March 1982.

Mr. Carpitella joined the Company in September 1997. Prior to joining the Company Mr. Carpitella was Vice President, Human Resources for a division of Pulte Home Corp. from April 1995 to August 1997. From February 1992 Mr. Carpitella was Vice President Human Resources for Geo. J. Ball Co.

Mr. Reinhart was appointed Senior Vice President and General Counsel in April 1985 after serving as Vice President and Chief Legal Counsel since March 1983. Mr. Reinhart was elected a Director of the Company in December 1981.

Mr. Schimpf was appointed Executive Vice President of the Company in April 1988 after serving as Senior Vice President from April 1985. Mr. Schimpf was elected a Director of the Company in June 1986.

Mr. Sorsby was appointed Senior Vice President, Treasurer and Chief Financial Officer of the Company in February, 1996 after serving as Senior Vice President-Finance/Treasurer of the Company since March 1991.

Item 11 - EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held on April 14, 1998, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held on April 14, 1998, which will involve the election of directors.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item 13 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A, in connection with the Company's annual meeting of shareholders to be held on April 14, 1998, which will involve the election of directors.

PART IV

Item 14 - EXHIBITS, FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

All other schedules are either not applicable to the Company or have been omitted because the required information is included in the financial statements or notes thereto.

Exhibits:

- 3(a) Certificate of Incorporation of the Registrant.(1)
- 3(b) Certificate of Amendment of Certificate of Incorporation of the Registrant.(8)
- 3(c) Bylaws of the Registrant.(8)
- 4(a) Specimen Class A Common Stock Certificate.(8)
- 4(b) Specimen Class B Common Stock Certificate.(8)
- 4(c) Indenture dated as of April 29, 1992, relating to 11 1/4% Subordinated Notes between the Registrant and First Fidelity Bank, including form of 11 1/4% Subordinated Notes due April 15, 2002.(2)
- 4(d) Indenture dated as of May 28, 1993, relating to 9 3/4% Subordinated Notes between Registrant and First Fidelity Bank, National Association, New Jersey, as Trustee, including form of 9 3/4% Subordinated Note due 2005.(4)
- 10(a) Credit Agreement dated July 30, 1993 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank/Central, N.A., and NBD Bank, N.A.(7)
- 10(b) Amendment to Credit Agreement among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic National Bank, Chemical Bank, United Jersey Bank, NBD Bank, N.A., PNC Bank, National Association, Meridian Bank, Nations Bank of Virginia, N.A., First National Bank of Boston, and Continental Bank.(10)
- 10(c) Second Amendment to Credit Agreement dated April 28, 1995 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic Bank,N.A., Chemical Bank, United Jersey Bank, NBD Bank, PNC Bank, National Association, Meridian Bank, Nations Bank, National Association, First National Bank of Boston, Bank of America Illinois, and Bank of America National Trust and Savings Association.(11)
- 10(d) Third Amendment to Credit Agreement dated June 4, 1996 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, Midlantic Bank,N.A., Chemical Bank, Meridian Bank, NationsBank,N.A., First National Bank of Boston, Bank of America Illinois, First National Bank of Chicago, Comerica Bank, and Credit Lyonnais.(12)
- 10(e) Fourth Amendment to Credit Agreement dated May 1997 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., Certain Subsidiaries Thereof, PNC Bank, N.A., Chase Manhattan Bank, Corestates Bank, N.A., NationsBank,N.A., First National Bank of Boston, Bank of America Illinois, First National Bank of Chicago, Comerica Bank, and Credit Lyonnais. (13)
- 10(f) Description of Management Bonus Arrangements.(8)
- 10(g) Description of Savings and Investment Retirement Plan.(1)
- 10(h) Stock Option Plan.(6)
- 10(i) Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(1)
- 10(j) Agreement dated July 8, 1981 between Hovnanian Properties of Atlantic County, Inc. and Kevork S. Hovnanian.(2)
- 10(k) Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(3)

10(l) Description of Deferred Compensation Plan.(5)
22 Subsidiaries of the Registrant.
27 Financial Data Schedules

(1) Incorporated by reference to Exhibits to Registration Statement (No. 2-85198) on Form S-1 of the Registrant.
(2) Incorporated by reference to Exhibits to Registration Statement (No. 33-46064) on Form S-3 of the Registrant.
(3) Incorporated by reference to Exhibits to Annual Report on Form 10 -K for the year ended February 28, 1986 of the Registrant.
(4) Incorporated by reference to Exhibits to Registration Statement (No. 33-61778) on Form S-3 of the Registrant.
(5) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the year ended February 28, 1990 of the Registrant.
(6) Incorporated by reference to the Proxy Statement dated June 15, 1990.
(7) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1993, of the Registrant.
(8) Incorporated by reference to Exhibits to Annual Report on Form 10- K for the year ended February 28, 1994 of the Registrant.
(9) Incorporated by reference to an Exhibit to Quarterly Report on Form 10-Q for the quarter ended August 31, 1994, of the Registrant.
(10) Incorporated by reference to Exhibits to Annual Report on Form 10-K for the eight months ended October 31, 1994 of the Registrant.
(11) Incorporated by reference to Exhibits to Annual Report on Form 10K for the year ended October 31, 1995 for the Registrant.
(12) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended April 30, 1996 of the Registrant.
(13) Incorporated by reference to Exhibits to Quarterly Report on Form 10Q for the quarter ended April 30, 1997 of the Registrant.

Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended October 31, 1997.

SIGNATURES

Pursuant to the requirements of Section l3 or l5(d) of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hovnanian Enterprises, Inc.
By:

/S/KEVORK S. HOVNANIAN
Kevork S. Hovnanian
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of l934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

/S/KEVORK S. HOVNANIAN Kevork S. Hovnanian	Chairman of The Board and Director	1/13/98
/S/ARA K. HOVNANIAN Ara K. Hovnanian	Chief Executive Officer, President and Director	1/13/98
/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller and Director	1/13/98
/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel and Director	1/13/98
/S/JOHN J. SCHIMPF John J. Schimpf	Executive Vice President and Director	1/13/98
/S/J. LARRY SORSBY J. Larry Sorsby	Senior Vice President, Treasurer, Chief Financial Officer and Director	1/13/98
/S/WILLIAM L. CARPITELLA	Senior Vice President,	1/13/98

William L. Carpitella Organizational Development

HOVNANIAN ENTERPRISES, INC.
Index to Consolidated Financial Statements

All other schedules have been omitted because the required information of such other schedules is not present, is not present in amounts sufficient to require submission of the schedule or because the required information is included in the financial statements and notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and
Board of Directors of
Hovnanian Enterprises, Inc.

We have audited the accompanying consolidated balance sheets of Hovnanian Enterprises, Inc. and subsidiaries as of October 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for the years ended October 31, 1997, 1996, and 1995. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hovnanian Enterprises, Inc. and subsidiaries at October 31, 1997 and 1996 and the consolidated results of their operations and cash flows for the years ended October 31, 1997, 1996, and 1995 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/S/ERNST & YOUNG LLP
Ernst & Young LLP

New York, New York
December 19, 1997

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

ASSETS	October 31, 1997	October 31, 1996
Homebuilding:		
Cash and cash equivalents(Note 4)	$ 7,952	$ 16,535
Inventories - At cost, not in excess of fair value (Notes 6 and 10):		
Sold and unsold homes and lots under development	363,592	314,630
Land and land options held for future development or sale	46,801	61,677
Total Inventories	410,393	376,307
Receivables, deposits, and notes (Notes 5 and 11)	35,723	26,442
Property, plant, and equipment - net (Note 3)	18,027	18,251
Prepaid expenses and other assets	36,708	31,939
Total Homebuilding	508,803	469,474
Financial Services:		
Cash	2,598	4,196
Mortgage loans held for sale (Note 5)	48,382	57,812
Other assets	2,518	3,217
Total Financial Services	53,498	65,225
Investment Properties:		
Held for sale:		
Rental property - net	23,920	
Land and improvements	15,026	
Other assets	1,397	
Held for investment:		
Rental property - net	11,412	51,892
Land and improvements		13,502
Other assets	1,835	3,292
Total Investment Properties	53,590	68,686
Collateralized Mortgage Financing:		
Collateral for bonds payable (Note 5)	7,999	9,478
Other assets	627	576
Total Collateralized Mortgage Financing	8,626	10,054
Income Taxes Receivable - Including deferred tax benefits (Note 9)	12,565	672
Total Assets	$637,082	$614,111

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 1997	October 31, 1996
Homebuilding:		
Nonrecourse land mortgages (Note 6)	$ 20,625	$25,151
Accounts payable and other liabilities	45,521	45,146
Customers' deposits (Note 4)	22,422	12,371
Nonrecourse mortgages secured by operating properties (Note 5)	3,830	3,918
Total Homebuilding	92,398	86,586
Financial Services:		
Accounts payable and other liabilities	1,522	1,631
Mortgage warehouse line of credit (Note 5)	45,823	55,196
Total Financial Services	47,345	56,827

Investment Properties:		
Accounts payable and other liabilities............	502	721
Nonrecourse mortgages secured by rental property (Note 6)......................................	19,241	31,071
Total Investment Properties..................	19,743	31,792
Collateralized Mortgage Financing:		
Accounts payable and other liabilities............	10	11
Bonds collateralized by mortgages receivable (Note 5)	7,855	9,231
Total Collateralized Mortgage Financing........	7,865	9,242
Notes Payable:		
Revolving credit agreement (Note 6)...............	95,000	30,000
Subordinated notes (Note 7)......................	190,000	200,000
Accrued interest................................	5,969	6,042
Total Notes Payable..........................	290,969	236,042
Total Liabilities...........................	458,320	420,489
Commitments and Contingent Liabilities (Notes 4 and 13)		
Stockholders' Equity (Notes 11 and 12):		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,628,115 shares (including 1,530,274 shares in 1997 and 345,874 shares in 1996 held in Treasury).........	156	155
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,100,686 shares (including 345,874 shares held in Treasury)......	81	82
Paid in Capital.................................	33,935	33,935
Retained Earnings (Note 7).......................	157,779	164,749
Treasury Stock - at cost.........................	(13,189)	(5,299)
Total Stockholders' Equity...................	178,762	193,622
Total Liabilities and Stockholders' Equity..........	$637,082	$614,111

See notes to consolidated financial statements.

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

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
Revenues:			
Homebuilding:			
Sale of homes............................	$731,807	$764,682	$740,481
Land sales and other revenues............	26,983	18,612	15,398
Total Homebuilding.....................	758,790	783,294	755,879
Financial Services.........................	10,735	11,216	10,348
Investment Properties......................	13,757	10,919	9,531
Collateralized Mortgage Financing..........	854	2,035	1,987
Total Revenues.........................	784,136	807,464	777,745
Expenses:			
Homebuilding:			
Cost of sales............................	634,317	651,492	624,395
Selling, general and administrative......	62,475	60,704	59,914
Inventory impairment loss (Note 10).......	14,019	1,608	2,780
Total Homebuilding.....................	710,811	713,804	687,089
Financial Services.........................	10,780	10,669	11,571
Investment Properties:			
Operations...............................	5,909	6,388	6,135

Provision for impairment loss.(Note 10)...	14,446		
Total Investment Properties............	20,355	6,388	6,135
Collateralized Mortgage Financing..........	878	2,076	2,173
Corporate General and Administration(Note 2)	15,088	14,002	13,002
Interest..................................	35,775	32,157	30,744
Other operations..........................	2,573	3,362	5,377
Total Expenses........................	796,260	782,458	756,091
Income(Loss) Before Income Taxes.............	(12,124)	25,006	21,654
State and Federal Income Taxes:			
State (Note 9)............................	1,796	1,336	2,306
Federal (Note 9)..........................	(6,950)	6,383	5,220
Total Taxes...........................	(5,154)	7,719	7,526
Net Income (Loss).........................	$ (6,970)	$ 17,287	$ 14,128
Earnings (Loss)Per Common Share (Note 1)......	$(0.31)	$0.75	$0.61

See notes to consolidated financial statements.

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

	A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, October 31, 1994...	14,730,299	149	8,291,754	88	33,858	133,334	(5,299)	162,130
Sale of common stock under employee stock option plan	15,000				77			77
Conversion of Class B to Class A common stock......	293,184	5	(293,184)	(5)				
Net Income..................						14,128		14,128
Balance, October 31, 1995...	15,038,483	154	7,998,570	83	33,935	147,462	(5,299)	176,335
Conversion of Class B to Class A common stock......	96,865	1	(96,865)	(1)				
Net Income..................						17,287		17,287
Balance, October 31, 1996...	15,135,348	$155	7,901,705	$82	$33,935	$164,749	($5,299)	$193,622
Conversion of Class B to Class A common stock......	146,893	1	(146,893)	(1)				
Treasury stock purchases....	(1,184,400)						(7,890)	(7,890)
Net Loss....................						(6,970)		(6,970)
Balance, October 31, 1997...	14,097,841	$156	7,754,812	$81	$33,935	$157,779	($13,189)	$178,762

See notes to consolidated financial statements.

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

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
Cash Flows From Operating Activities:			
Net Income (Loss).........................	$ (6,970)	$ 17,287	$ 14,128
Adjustments to reconcile net income (loss) to			

net cash provided by (used in) operating activities:			
Depreciation	5,032	5,246	4,095
Loss (gain) on sale and retirement of property and assets	(4,760)	(1,998)	875
Deferred income taxes	(4,568)	(820)	1,786
Impairment losses	28,465	1,608	2,780
Decrease (increase) in assets:			
Escrow cash	2,592	(2,129)	(654)
Receivables, prepaids and other assets	(6,830)	(4,297)	(2,929)
Mortgage notes receivable	2,858	(10,966)	(21,432)
Inventories	(48,105)	26,498	(20,653)
Increase (decrease) in liabilities:			
State and Federal income taxes	(7,325)	6,509	4,536
Customers' deposits	10,007	774	(470)
Interest and other accrued liabilities	3,726	(3,366)	4,873
Post development completion costs	(8,746)	4,062	(3,557)
Accounts payable	5,034	(3,681)	4,472
Net cash provided by (used in) operating activities	(29,590)	34,727	(12,150)
Cash Flows From Investing Activities:			
Net proceeds from sale of property and assets	14,997	10,308	1,046
Purchase of property	(3,156)	(5,882)	(8,106)
Investment in and advances to unconsolidated affiliates	195	3,792	200
Investment in income producing properties	(11,099)	(2,134)	(4,858)
Net cash provided by (used in) investing activities	937	6,084	(11,718)
Cash Flows From Financing Activities:			
Proceeds from mortgages and notes	1,139,780	1,142,106	944,284
Principal payments on mortgages and notes	(1,101,969)	(1,188,449)	(931,254)
Principal payments on subordinated debt	(10,000)		
Investment in mortgage notes receivable	1,474	8,941	8,138
Purchase of treasury stock	(7,890)		
Proceeds from sale of stock			77
Net cash used in (provided by) financing activities	21,395	(37,402)	21,245
Net Increase (Decrease) In Cash	(7,258)	3,409	(2,623)
Cash Balance, Beginning Of Period	15,323	11,914	14,537
Cash Balance, End Of Period	$ 8,065	$ 15,323	$ 11,914
Supplemental Disclosures Of Cash Flow:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 35,869	$ 32,194	$ 30,128
Income Taxes	6,809	6,875	1,192
	$ 42,678	$ 39,069	$ 31,320

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED OCTOBER 31, 1997, 1996, AND 1995.

1. SUMMARY OF ACCOUNTING POLICIES

Operations - The Company, a Delaware Corporation, principally develops housing communities in New Jersey, Pennsylvania, New York, Florida, North Carolina, Virginia, and California. In addition, the Company has recently started building in Poland. The Company also develops and operates income producing properties but plans an orderly exit from this business.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and all wholly-owned or majority owned subsidiaries after elimination of all significant intercompany balances and transactions. The Company's investments in joint ventures in which the Company's interest is 50% or less are accounted for by the equity method of accounting.

Organizational Restructuring - During the fiscal years ended October 31, 1996 and October 31, 1995, the Company recorded a $0.3 million and $1.3 million charge, respectively, for the cost of consolidating operations, writing off of certain assets, and associate severance payments. The charges for these fiscal years were associated with consolidating certain common functions in the New Jersey, Pennsylvania, Florida, and California building divisions. This consolidation effort is designed to reduce redundant costs and improve the Company's operating efficiency in these regions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements.

Income Recognition - Income from sales is recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the transaction.

Cash - Cash includes cash deposited in checking accounts, overnight repurchase agreements, certificates of deposit, Treasury bills and government money market funds.

Fair Value of Financial Instruments - The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The Company's financial instruments consist of cash equivalents, mortgages and notes receivable, mortgages and notes payable, and the subordinated notes payable. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values.

Inventories - For inventories of communities under development, a loss is recorded when events and circumstances indicate impairment and the undiscounted future cash flows generated are less than the related carrying amounts. The impairment loss is based on expected revenue, cost to complete including interest, and selling costs. Inventories and long-lived assets held for sale are recorded at the lower of cost or fair value less selling costs. Fair value is defined in Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("FAS 121") as the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Construction costs are accumulated during the period of construction and charged to cost of sales under specific identification methods. Land, land development, and common facility costs are amortized based upon the number of homes to be constructed in each housing community utilizing a relative sales value allocation method.

Interest costs related to properties in progress are capitalized during the construction period and expensed along with the associated cost of sales as the related inventories are sold (see Note 6).

The cost of land options is capitalized when incurred and either included as part of the purchase price when the land is acquired or charged to operations when the Company determines it will not exercise the option.

Property - Rental operations of the Company arise primarily from rental of commercial properties. In addition, the Company has from time to time rented under short-term leases condominium homes, not yet under contract of sale. Such homes are reclassified from inventory and depreciated after a reasonable selling period not to exceed one year.

Post Development Completion Costs - In those instances where a development is substantially completed and sold and the Company has additional construction work to be incurred, an estimated liability is provided to cover the cost of such work.

Deferred Income Tax - Deferred income taxes or income tax benefits are provided for temporary differences between amounts recorded for financial reporting and for income tax purposes.

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 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.

On December 16, 1996, the Company's Board of Directors approved a stock repurchase plan of up to 2 million shares, equal to 8.7% of the Company's total and outstanding shares as of that date. As of October 31, 1997, 1,184,400 shares were repurchased under this program.

Depreciation - The straight-line method is used for both financial and tax reporting purposes for all assets except office furniture and equipment which are depreciated using the declining balance method over their estimated useful lives.

Prepaid Expenses - Prepaid expenses which relate to specific housing communities (marketing materials, model setup, architectural fees, homeowner warranty, etc.) are amortized to costs of sales as the applicable inventories are sold. All other prepaid expenses are amortized over a specific time period or as used and charged to overhead expense.

Stock Options - Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" establishes a fair value based method of accounting for stock-based compensation plans, including stock options. Registrants may elect to continue accounting for stock option plans under Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," but are required to provide proforma net income and earnings per share information "as if" the new fair value approach had been adopted. The Company intends to continue accounting for its stock option plan under APB 25. Under APB 25, no compensation expense was recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant (see Note 10).

Per Share Calculations - Per share amounts are calculated on a weighted average basis.

New Accounting Pronouncement - Statement of Financial Accounting Standards No. 128 ("FAS 128") "Earnings Per Share" requires the presentation of basic earnings per share and diluted earnings per share, and is effective for annual periods ending after December 15, 1997. At October 31, 1997 the Company has not adopted FAS 128. When adopted basic earnings per share will equal the Company's current calculation. Diluted earnings per share will include outstanding stock options in the calculation.

New Accounting Pronouncement - Statement of Financial Accounting Standards No. 131 ("FAS 131") "Disclosures About Segments of an Enterprise and Related Information" requires disclosure about operating segments and is effective for fiscal years beginning after December 15, 1997. At October 31, 1997 the Company has not adopted FAS 131. The Company does not believe the requirements of FAS 131 will require additional disclosures in its financial statements.

2. CORPORATE INITIATIVES

The Company has embarked on long term improvement initiatives of total quality, process redesign, and training. Included in Corporate General and Administration is $2,216,000, $1,601,000, and $1,987,000 for the years ended October 31, 1997, 1996, and 1995, respectively.

3. PROPERTY

Homebuilding property, plant, and equipment consists of land, land improvements, buildings, building improvements, furniture and equipment used by the Company and its subsidiaries to conduct day to day business. Homebuilding accumulated depreciation related to these assets at October 31, 1997 and October 31, 1996 amounted to $15,338,000 and $14,970,000, respectively. Rental property consists of two office buildings, three office warehouse facilities, one retail shopping center, and two senior citizen rental communities in New Jersey. Except for the two senior rentals all other rental property was reclassified from held for investment to held for sale (see Note 10). Accumulated depreciation on rental property at October 31, 1997 and October 31, 1996 amounted to $10,450,000 and $11,108,000, respectively. In November 1997, the two office buildings and three office warehouse facilities with a book value of $19,585,000 at October 31, 1997 were sold for $24,700,000. In October 1997, the Company sold a retail center with a book value of $9,836,000 at the time of sale and recorded a gain of $4,883,000. In January of 1996, the Company sold a retail center with a book value of $8,022,000 and recorded a gain of $1,998,000.

4. ESCROW CASH

The Company holds escrow cash amounting to $3,248,000 and $5,840,000 at October 31, 1997 and October 31, 1996, respectively, which primarily represents customers' deposits which are restricted from use by the Company. The Company is able to release escrow cash by pledging letters of credit. At October 31, 1997 and October 31, 1996, $13,500,000 and $5,163,000 was released from escrow and letters of credit were pledged, respectively. Escrow cash accounts are substantially invested in short-term certificates of deposit or time deposits.

5. MORTGAGES AND NOTES RECEIVABLE

The Company's wholly-owned mortgage banking subsidiary originates mortgage loans, primarily from the sale of the Company's homes. Such mortgage loans are sold in the secondary mortgage market servicing released or prior to February 28, 1987 pledged against collateralized mortgage obligations ("CMO's"). At

October 31, 1997 and October 31, 1996, respectively, $47,660,000 and $57,095,000 of such mortgages were pledged against the Company's mortgage warehouse line (see "Notes to Consolidated Financial Statements - Note 6"). The Company may incur risk with respect to mortgages that are delinquent and not pledged against CMO's, but only to the extent the losses are not covered by mortgage insurance or resale value of the home. Historically, the Company has incurred minimal credit losses. The mortgage loans held for sale are carried at the lower of cost or market value, determined on an aggregate basis. There was no valuation adjustment at October 31, 1997.

6. MORTGAGES AND NOTES PAYABLE

Substantially all of the nonrecourse land mortgages are short-term borrowings. Nonrecourse mortgages secured by operating and rental property are installment obligations having annual principal maturities in the following years ending October 31, of approximately $16,468,000 in 1998 (including November 1997 sales per "Notes to Consolidated Financial Statement - Note 3"), $142,000 in 1999, $5,586,000 in 2000, $58,000 in 2001, $3,000 in 2002, and $814,000 after 2002. The interest rates on these obligations range from 8.125% to 9.125%.

The Company has an unsecured Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $245,000,000 through March 2000. Interest is payable monthly and at various rates of either prime plus 1/8% or LIBOR plus 1.625%. In addition, the Company pays 3/8% per annum on the weighted average unused portion of the line.

Interest costs incurred, expensed and capitalized were:

	Year Ended October 31, 1997	Year Ended October 31, 1996	Year Ended October 31, 1995
	(Dollars in Thousands)		
Interest incurred (1):			
Residential(3)	$29,469	$30,058	$32,257
Commercial(4)	5,308	5,493	5,571
Total incurred	$34,777	$35,551	$37,828
Interest expensed:			
Residential(3)	$30,467	$26,649	$25,441
Commercial(4)	5,308	5,508	5,303
Total expensed	$35,775	$32,157	$30,744
Interest capitalized at beginning of year	$39,152	$36,182	$29,480
Plus interest incurred	34,777	35,551	37,828
Less interest expensed	35,775	32,157	30,744
Less impairment adjustments	275	424	382
Less property written off	945	--	--
Less sale of assets	984	--	--
Interest capitalized at end of year	$35,950	$39,152	$36,182
Interest capitalized at end of year (5):			
Residential(3)	$29,804	$32,669	$29,684
Commercial(2)	6,146	6,483	6,498
Total interest capitalized	$35,950	$39,152	$36,182

(1) Data does not include interest incurred by the Company's mortgage and finance subsidiaries.
(2) Data does not include a reduction for depreciation.
(3) Represents acquisition interest for construction, land and development costs which is charged to interest expense when land is not under active development and when homes are delivered.
(4) Represents interest allocated to or incurred on long term debt for investment properties and charged to interest expense.
(5) Commercial interest for October 31, 1997 includes $832,000 reported at October 31, 1996 as capitalized residential interest. This reclassification was the result of the transfer of two parcels of land and related capitalized interest from homebuilding to investment properties.

Average interest rates and average balances outstanding for short-term debt are as follows:

	October 31, 1997	October 31, 1996	October 31, 1995
	(Dollars In Thousands)		
Average outstanding borrowings	$133,760	$127,770	$160,029
Average interest rate during period	8.2%	8.5%	8.7%
Average interest rate at end of period(1)	7.8%	7.6%	8.0%
Maximum outstanding at any month end	$184,550	$157,125	$187,050

(1) Average interest rate at the end of the period excludes any charges on unused loan balances.

7. SUBORDINATED NOTES

On April 29, 1992, the Company issued $100,000,000 principal amount of 11 1/4% Subordinated Notes due April 15, 2002. Interest is payable semi-annually. In November and December 1996 the Company purchased $10,000,000 principal amount at an average price of 100.3% of par. Annual sinking fund payments of $10,000,000 and $20,000,000 are required in April 2000 and 2001, respectively, with the balance due April 2002.

On June 7, 1993, the Company issued $100,000,000 principal amount of 9 3/4% Subordinated Notes due June 1, 2005. Interest is payable semiannually. The notes are redeemable in whole or in part at the Company's option, initially at 104.875% of their principal amount on or after June 1, 1999 and reducing to 100% of their principal amount on or after June 1, 2002.

The indentures relating to the subordinated notes and the Revolving Credit Agreement contain restrictions on the payment of cash dividends. At October 31, 1997, $41,578,000 of retained earnings were free of such restrictions.

The fair value of the Subordinated Notes is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The combined fair value of the Subordinated Notes is estimated at $203,250,000 as of October 31, 1997.

8. RETIREMENT PLAN

In December 1982, the Company established a defined contribution savings and investment retirement plan. Under such plan there are no prior service costs. All associates with over one year of service are eligible to participate in the retirement plan and employer contributions are based on a percentage of associate contributions. Plan costs charged to operations amount to $1,520,000, $1,406,000, and $1,028,000 for the years ended October 31, 1997, 1996, and 1995, respectively.

9. INCOME TAXES

Income Taxes payable (receivable) including deferred benefits, consists of the following:

	October 31, 1997	October 31, 1996
	(In Thousands)	
State income taxes:		
Current	$ 1,387	$ 251
Deferred	(1,586)	(1,337)
Federal income taxes:		
Current	(1,611)	6,601
Deferred	(10,755)	(6,187)
Total	$(12,565)	$ (672)

Deferred income taxes have been provided (reduced) due to temporary differences as follows:

Year Ended

	October 31, 1997	October 31, 1996	October 31, 1995
	(In Thousands)		
Capitalized interest................	$ (54)	$ (152)	$ (2)
Homeowner association maintenance reserves..........................	(168)	275	(53)
Installment sales...................	(34)	(52)	(59)
Provision to reduce inventory to net realizable value.............	(174)	(563)	1,665
Inventory impairment loss..........	(6,786)	1,710	(973)
Deferred expenses...................	(479)	(1,312)	8
Depreciation........................	(82)	219	316
Post development completion costs...	3,129	(1,198)	352
Net operating losses................			33
Other...............................	(175)	(182)	65
Low income housing tax credit.......			434
Benefit (Provision) - total.........	$(4,823)	$(1,255)	$ 1,786

The deferred tax liabilities or assets have been recognized in the consolidated balance sheets due to temporary differences as follows:

	October 31, 1997	October 31, 1996
	(In Thousands)	
Deferred Tax Liabilities:		
Deferred interest............	$ 31	$ 85
Installment sales............	208	242
Accelerated depreciation.....	2,058	2,137
Total.......................	2,297	2,464
Deferred Tax Assets:		
Deferred income.............	321	321
Maintenance guarantee reserves	481	313
Provision to reduce inventory to net realizable value.......	95	1,600
Inventory impairment loss....	8,621	563
Uniform capitalization of overhead..................	3,972	3,055
Post development completion costs.......................	509	2,972
Other.......................	640	1,164
Total......................	14,639	9,988
Net Deferred Tax Assets........	$(12,342)	$(7,524)

The effective tax rates varied from the expected rate. The sources of these differences were as follows:

	Year Ended		
	October 31, 1997	October 31, 1996	October 31, 1995
Computed "expected" tax rate......	(35.0)%	35.0%	35.0%
State income taxes, net of Federal income tax benefit.............	11.6%	3.2%	6.9%
Company owned life insurance......	(6.2)%	(2.9)%	(4.4)%
Low income housing tax credit.....	(11.2)%	(5.3)%	(4.2)%
Other.............................	(1.9)%	.9%	1.5%
Effective tax rate................	(42.7)%	30.9%	34.8%

The Company has state net operating loss carryforwards for financial reporting and tax purposes of $296,000,000 due to expire between the years October 31, 1998 and October 31, 2013.

10. REDUCTION OF INVENTORY TO FAIR VALUE

In accordance with FAS 121, the Company records impairment losses on inventories related to communities under development when events and circumstances indicate that they may be impaired and the undiscounted cashflows estimated to be generated by those assets are less than their related carrying amounts. As of October 31, 1997, 1996 and 1995, inventory with a carrying amount of $33,143,000, $2,240,000 and $10,701,000, respectively, was written down by $9,258,000, $1,289,000 and $4,142,000, respectively, to its fair value. This was based on the Company's evaluation of the expected revenue, cost to complete including interest and selling cost. The writedowns during the year ended October 31, 1997 were attributable to numerous communities in Florida where the Company is reducing its investment and two communities in New Jersey resulting from a product type change and unforeseen development costs. The writedowns during the years ended October 31, 1996 and October 31, 1995 were primarily attributable to one community in New York, one in New Jersey, two in Florida and four communities in Metro Washington, D.C.

Also in accordance with FAS 121, the Company records impairment losses on inventories and long lived assets held for sale when the related carrying amount exceeds the fair value less the selling cost. As of October 31, 1997, 1996 and 1995, inventory and commercial properties with a carrying amount of $32,008,000, $12,031,000 and $18,956,000, respectively, was written down by $12,690,000, $3,795,000 and $5,492,000, respectively, to its fair value. The writedowns during the year ended October 31, 1997 were attributable to four residential parcels of land in Florida, one residential parcel of land in New Jersey, one multi-use commercial parcel of land in New Jersey and two Florida commercial facilities with expansion land attached to one facility. The writedowns during the years ended October 31, 1996 and October 31, 1995 were attributable to land held for sale in New Jersey, Pennsylvania, Metro Washington, D.C. and Florida. During the years ended October 31, 1997 and 1996, of the land parcels liquidated, the Company recovered the carrying value or recognized insubstantial losses on the land held for sale.

The total aggregate impairment losses, which are presented in the consolidated statements of operations, on the inventory held for development and the land or commercial facilities held for sale were $21,948,000, $1,608,000, and $2,780,000 for the years ended October 31, 1997, 199,6 and 1995, respectively.

On the statement of operations for the year ended October 31, 1997 the lines entitled "Homebuilding - Inventory impairment loss" and "Investment Properties - Provision for impairment loss" also include writeoffs of four options in New Jersey including approval, engineering and capitalized interest costs amounting to $4,761,000 and $1,756,000, respectively. In the case of the three residential properties, the Company decided not to exercise the option due to environmental problems or the property's proforma did not produce an adequate return on investment commensurate with the risk. The one commercial property option was not exercised because an anchor tenant with an acceptable credit rating could not be found.

11. TRANSACTIONS WITH RELATED PARTIES

The Company's Board of Directors has adopted a general policy providing that it will not make loans to officers or directors of the Company or their relatives at an interest rate less than the interest rate at the date of the loan on six month U.S. Treasury Bills, that the aggregate of such loans will not exceed $2,000,000 at any one time, and that such loans will be made only with the approval of the members of the Company's Board of Directors who have no interest in the transaction. At October 31, 1997 and 1996 related party receivables from officers and directors amounted to $1,889,000 and $1,908,000, respectively. Notwithstanding the policy stated above, the Board of Directors of the Company concluded that the following transactions were in the best interests of the Company.

The Company provides property management services to various limited partnerships including one partnership in which Mr. A. Hovnanian, President and a Director of the Company, is a general partner, and members of his family and certain officers and directors of the Company are limited partners. At October 31, 1997, no amounts were due the Company by these partnerships.

12. STOCK OPTION PLAN

The Company has a stock option plan for certain officers and key employees. Options are granted by a Committee appointed by the Board of Directors. The exercise price of all stock options must be at least equal to the fair market value of the underlying shares on the date of the grant. These options vest in three equal installments on the first, second, and third anniversaries of the date of the grant and expire after ten years. In addition, during the year ended October 31, 1997 each of the three outside directors of the Company were granted options to purchase 5,000 shares at the same price and terms as those granted to officers and key employees. Stock option transactions are summarized as follows:

	October 31, 1997	Weighted Average Exercise Price	October 31, 1996	Weighted Average Exercise Price	October 31, 1995	Weighted Average Exercise Price
Options outstanding at beginning of period.	1,156,000	$8.04	1,176,000	$8.00	938,500	$8.59
Granted............	190,500	$6.47	--		270,000	$5.81
Exercised..........	--		--		15,000	$5.13
Cancelled..........	10,000	$5.81	20,000	$5.81	17,500	$8.25
Options outstanding at end of period.......	1,336,500	$7.83	1,156,000	$8.04	1,176,000	$8.00
Options exercisable at end of period.......	1,069,333		996,000		748,667	
Price range of options outstanding.........	$5.13-$11.50		$5.13-$11.50		$5.13-$11.50	
Weighted-average contractual life....	5.4 yrs.		5.8 yrs.		6.8 yrs.	

Pro forma information regarding net income and earnings per share is required under the fair value method of Financial Accounting Standards No. 123 ("FAS 123") "Accounting for Stock-Based compensation" and is to be calculated as if the Company had accounted for its stock options under the fair value method of FAS 123. The fair value for these options is established at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997: risk- free interest rate of 5.8%; divided yield of zero; volatility factor of the expected market price of the Company's common stock of 0.47; and a weighted-average expected life of the option of 7.0 years.

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

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

	Year Ended October 31, 1997	Year Ended October 31, 1996(1)
Pro forma net income (loss)............	$ (7,131)	$ 17,287
Pro forma earnings (loss) per share.....	$ (0.32)	$ 0.75

(1) No options were granted in 1996, as a result pro forma amounts equal actual per the income statement.

13. COMMITMENTS AND CONTINGENT LIABILITIES

During fiscal 1989, the Company became aware that certain fire-retardant plywood commonly used in the roof construction of multi-family homes may contain a product defect causing accelerated deterioration of the plywood. The Company has determined that such plywood was used principally in 33 of its communities containing approximately 11,750 homes.

Common areas, including roofs, in each of the Company's multi-family condominium developments are governed and controlled by homeowners' associations for each development, rather than by individual homeowners. Certain of the 33 homeowners' associations in the affected developments have asserted claims against the Company. As of October 31, 1994, the Company had entered separate settlement agreements with 31 of the 33 associations, (the "Settling Associations") covering 10,850 homes. In December 1994, the Company entered into a settlement agreement with the two remaining associations on substantially the same terms as the earlier settlements.

In August 1989 the Company brought suit against the plywood material manufacturers, treaters, suppliers and others (the "Defendants") to determine the proper responsibility for damages, to protect its interests and to recover its damages.

In November 1992, the Company and the Settling Associations entered into a settlement agreement with most of the Defendants. Based upon the settlement monies received, the use of the Settling Associations' roof shingle reserves and the actual expenditures in performing the repairs, the Company believes the repair costs will not require it to set aside future reserves for such roof repairs.

In addition, the Company is involved from time to time in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company.

As of October 31, 1997 and 1996, respectively, the Company is obligated under various performance letters of credit amounting to $6,834,000 and $8,433,000.

14. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the years ended October 31, 1997, 1996, and 1995 is as follows:

	Three Months Ended			
	October 31, 1997	July 31, 1997	April 30, 1997	January 31, 1997
	(In Thousands Except Per Share Data)			
Revenues	$315,150	$205,107	$143,526	$120,353
Expenses	$302,494	$196,105	$173,453	$124,208
Income (loss) before income taxes	$ 12,656	$ 9,002	$(29,927)	$ (3,855)
State and Federal income tax	$ 4,930	$ 2,782	$(10,785)	$ (2,081)
Net income (loss)	$ 7,726	$ 6,220	$(19,142)	$ (1,774)
Earnings per common share	$ 0.35	$ 0.27	$ (0.83)	$ (0.8)
Weighted average number of common shares outstanding	22,098	22,409	22,925	23,037

	Three Months Ended			
	October 31, 1996	July 31, 1996	April 30, 1996	January 31, 1996
	(In Thousands Except Per Share Data)			
Revenues	$342,049	$195,812	$152,464	$117,139
Expenses	$323,474	$191,280	$150,881	$116,823
Income before income taxes	$ 18,575	$ 4,532	$ 1,583	$ 316
State and Federal income tax	$ 6,146	$ 1,422	$ 335	$ (184)
Net income	$ 12,429	$ 3,110	$ 1,248	$ 500
Earnings per common share	$ 0.54	$ 0.13	$ 0.06	$ 0.02
Weighted average number of common shares outstanding	23,037	23,037	23,037	23,037

	Three Months Ended			
	October 31, 1995	July 31, 1995	April 30, 1995	January 31, 1995
	(In Thousands Except Per Share Data)			
Revenues	$331,712	$173,153	$147,284	$125,596
Expenses	$314,650	$170,082	$146,551	$124,808
Income before income taxes	$ 17,062	$ 3,071	$ 733	$ 788
State and Federal income tax	$ 6,432	$ 986	$ 54	$ 54
Net income	$ 10,630	$ 2,085	$ 679	$ 734
Earnings per common share	$ 0.46	$ 0.09	$ 0.03	$ 0.03
Weighted average number of common shares outstanding	23,037	23,037	23,032	23,022

SCHEDULE VIII
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE FEB. 28, 1993	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	BALANCE FEB 28, 1994

Land and land development costs	$ 6,436,000		$3,164,000	Closings	$2,091,000	Reclass	$ 5,363,000
Land, land options and costs of comm. in planning	4,846,000				(2,091,000)	Reclass	2,755,000
Rental property	2,387,000		1,012,000	Closings			1,375,000
Income producing property under development	98,000						98,000
	$13,767,000		$4,176,000		$0		$ 9,591,000

DESCRIPTION	BALANCE FEB. 28, 1994	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIP-TION	CHARGED TO OTHER ACCOUNTS	DESCRIP-TION	BALANCE OCT. 31, 1994
Land and land development costs	$ 5,363,000	$5,762,000	$3,370,000	Closings			$ 7,755,000
Land, land options and costs of comm. in planning	2,755,000		1,123,000	Closings			1,632,000
Rental property	1,375,000	595,000	716,000	Closings			1,254,000
Income producing property under development	98,000						98,000
	$ 9,591,000	$6,357,000	$5,209,000				$10,739,000

DESCRIPTION	BALANCE OCT. 31, 1994	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIP-TION	CHARGED TO OTHER ACCOUNTS	DESCRIP-TION	BALANCE OCT. 31, 1995
Land and land development costs	$ 7,755,000		$2,796,000	Closings	$4,959,000	FASB 121	$0
Land, land options and costs of comm. in planning	1,632,000				1,632,000	FASB 121	0
Rental property	1,254,000		1,089,000	Closings	165,000	FASB 121	0
Income producing property under development	98,000				98,000	FASB 121	0
	$10,739,000		$3,885,000		$6,854,000		$0

SCHEDULE X
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
SUPPLEMENTAL INCOME STATEMENT INFORMATION

	Charged To Cost And Expenses		
	October 31, 1997	October 31, 1996	October 31, 1995
Advertising....................	$12,559,000	$11,513,000	$12,899,000
Depreciation...................	$ 5,175,000	$ 5,246,000	$ 4,095,000
Maintenance guarantee reserves...	$ 1,609,000	$ 682,000	$ 1,248,000

SCHEDULE XI
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
OCTOBER 31, 1997

	Gross Amounts (A)(B)(C)				
Description	Land	Building/ Improvements	Total	Tax Basis	Accumulated Depreciation
1 North Center Drive North Brunswick, NJ	$ 636,000	$ 7,396,000	$ 8,032,000	$ 7,738,000	$1,757,000

Flex Building					
2 K.Hovnanian Corp.Center	541,000	4,054,000	4,595,000	5,773,000	1,447,000
West Palm Beach, FL					
Office Building					
3 Hovnanian Corp.Center	1,000,000	4,785,000	5,785,000	5,602,000	1,432,000
North Brunswick, NJ					
Retail					
4 Hovnanian Corp. Center	616,000	8,707,000	9,323,000	9,323,000	3,705,000
North Brunswick, NJ					
Office/Warehouse					
5 Cypress Plaza	1,504,000	3,828,000	5,332,000	8,367,000	989,000
Jacksonville, FL					
Retail Center					
6 Hidden Meadows	544,000	5,750,000	6,294,000	6,294,000	667,000
Ocean Twp, NJ					
Senior Rentals					
7 North Brunswick V	238,000	216,000	454,000	930,000	30,000
North Brunswick, NJ					
Retail/Land Under Development					
8 Norfolk Village	640,000	5,568,000	6,208,000	6,208,000	424,000
Mahwah, NJ					
Senior Rentals					
9 Miscellaneous	0	1,000	1,000	1,000	0
New Jersey					
Leasehold Improvements					
10 Hovnanian Corp. Center	0	9,127,000	9,127,000	12,143,000	0
North Brunswick, NJ					
Land/Land Improvement Approval & Flex Building Under Construction					
11 Land Improvement and Approval Costs					
Merrimack Commercial	75,000	100,000	175,000	300,000	0
Merrimack, NH					
Land/Land Improvement Costs					
12 Cypress Plaza	195,000	427,000	622,000	1,531,000	0
Jacksonville, FL					
Land/Land Improvement and Approval Costs					
13 North Brunswick V	210,000	785,000	995,000	1,760,000	0
North Brunswick, NJ					
Retail/Land Under Development					
14 NB Theatre	3,000	1,250,000	1,253,000	4,192,000	0
North Brunswick,NJ					
Land/Land Improvement					
15 Allaire	50,000	54,000	104,000	104,000	0
Wall, NJ					
Land/Land Improvement					
16 Wall Town Center	2,200,000	308,000	2,508,000	2,508,000	0
Wall, NJ					
Land/Land Improvement					
	$ 8,452,000	$ 52,356,000	$60,808,000	$72,774,000	$10,451,000

(A) Fiscal Year Construction Completed:
1 through 2 - 1987
3 through 5 - 1990
6 through 7 - 1993
8 - 1995
9 through 16 - not completed

(B) Depreciable Life:
40 years - Depreciation expense was $1,854,000 for the year ended October 31, 1997.
Depreciation expense was $2,665,000 for the year ended October 31, 1996.
Depreciation expense was $1,973,000 for the year ended October 31, 1995.
Depreciation expense was $1,175,000 for the eight months ended October 31, 1994.

(C) Items marked 11 through 19 consist of land improvement, building construction, and approval costs on land held for future development.

Balance - October 31, 1994	$ 79,260,000
Additions: Improvement	840,000
Construction	5,779,000
Deletions: Cost of rental condominiums sold	(1,760,000)
Balance - October 31, 1995	84,119,000
Additions: Improvements	1,115,000

Deletions:	Cost of rental condominiums sold	(152,000)
	Cost of commercial center sold	(8,457,000)
	Cost of commercial land sold	(114,000)
	Cost of inventory sold	(9,000)
Balance - October 31, 1996		76,502,000
Additions:	Improvements	193,000
	Land purchase and development	11,100,000
Deletions:	Transfer to inventory	(258,000)
	Cost of commercial center sold	(12,283,000)
	Provision for impairment loss	(14,446,000)
Balance - October 31, 1997		$ 60,808,000

Balance at October 31, 1997 is reported on the consolidated balance sheet as investment properties held for sale and held for investment.

EXHIBIT 22
SUBSIDIARY LISTING

K. Hovnanian Equities, Inc.
EXC, Inc.
K. Hovnanian Companies of North Carolina, Inc.
KHL, Inc.
Hovnanian Texas, Inc.
Hovnanian Georgia, Inc.
Hovnanian Financial Services III, Inc.
K. Hovnanian Mortgage USA, Inc.
Hovnanian Financial Services IV, Inc.
K. Hovnanian Developments of New Jersey, Inc.
KHE Finance, Inc.
K. Hov International, Inc.
Hovnanian Financial Services II, Inc.
New Fortis Investment
Hovnanian Financial Services I, Inc.
K. Hovnanian Enterprises, Inc.
Hovnanian Pennsylvania, Inc.
Recreational Development Co., Inc.
K. Hovnanian Marine, Inc.
K. Hovnanian Aviation, Inc.
K. Hovnanian Companies of North Jersey, Inc.
K. Hovnanian at Montville, Inc.
K. Hovnanian at Wayne, Inc.
K. Hovnanian at Mahwah IV, Inc
K. Hovnanian at Morris II, Inc.
K. Hovnanian at Mahwah II, Inc.
K. Hovnanian at Mahwah III, Inc.
K. Hovnanian @ Northern Westchester, Inc.
K. Hovnanian at Hanover, Inc.
K. Hovnanian at Montville II, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.I, Inc.
K. Hovnanian @ Newark I, Inc.
K. Hovnanian @ Newark Urban Renewal Corp.II, Inc.
Jersey City Danforth CSO
K. Hovnanian @ Newark Urban Renewal Corp.III, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. IV, Inc.
K. Hovnanian @ Newark Urban Renewal Corp. V, Inc.
K. Hovnanian at Jersey City I, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2A)
K. Hovnanian at Jersey City III, Inc.
K. Hovnanian at Mahwah VI, Inc.
K. Hovnanian at Jersey City II, Inc.(Phase 2B)
K. Hovnanian at Mahwah VII, Inc.
K. Hovnanian at Montclair, N.J., Inc.
K. Hovnanian at Horizon Heights, Inc.
K. Hovnanian at Reservoir Ridge, Inc.
K. Hovnanian at Mahwah V, Inc.
K. Hovnanian at Mahwah VIII, Inc.
K. Hovnanian of North Jersey, Inc. (Hudson River)
Montego Bay I Acquisition Corp., Inc.
Montego Bay Associates Limited I, LP (MBAI)
Montego Bay II Acquisition Corp., Inc.
Montego Bay Associates Limited II, LP (MBAII)
0515 Co., Inc.
K. Hovnanian at North Brunswick IV, Inc.
K. Hovnanian Properties of North Brunswick IV, Inc.
Arrow Properties, Inc.
KHIPE, Inc.
Pine Brook Company, Inc.
K. Hovnanian Properties of North Brunswick II, Inc.
K. Hovnanian Properties of Galloway, Inc.
K. Hovnanian @ Cedar Grove I, Inc.
K. Hovnanian @ Cedar Grove II, Inc.
K. Hovnanian Properties of Piscataway, Inc.
K. Hovnanian Properties of North Brunswick I, Inc.
Molly Pitcher Renovations, Inc.
K. Hovnanian Properties of East Brunswick II,Inc.
K. Hovnanian Investment Properties of N.J., Inc.
K. Hovnanian Investment Properties, Inc.
Hovnanian Properties of Atlantic County, Inc.
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.
K. Hovnanian Properties of Hamilton, Inc.
K. Hovnanian Properites of Franklin, Inc.
K. Hovnanian Properties of North Brunswick III, Inc.
K. Hovnanian Properties of Franklin II, Inc.
K. Hovnanian at Jacksonville, Inc.
K. Hovnanian Properties of North Brunswick V, Inc.
K. Hovnanian Properties of Wall, Inc.

K.Hovnanian at Pompano Beach, Inc.
Hovnanian Properties of Lake Worth, Inc.
Landarama, Inc.
K. Hovnanian Companies Northeast, Inc.
Parthenon Group
Minerva Group
K. Hovnanian Companies of Central Jersey, Inc.
K. Hovnanian Real Estate Investment, Inc.
K. Hovnanian at Princeton, Inc.
K. Hovnanian at South Brunswick III, Inc.
K. Hovnanian at South Brunswick IV, Inc.
K. Hovnanian at Plainsboro I, Inc.
K. Hovnanian at Plainsboro II, Inc.
K. Hovnanian at Klockner Farms, Inc.
K. Hovnanian at South Brunswick II, Inc.
K. Hovnanian at Hopewell III, Inc.
K. Hovnanian at Hopewell I, Inc.
K. Hovnanian at South Brunswick, Inc.
K. Hovnanian at East Windsor I, Inc.
K. Hovnanian at North Brunswick II, Inc.
K. Hovnanian at North Brunswick III, Inc.
K. Hovnanian at Hopewell II, Inc.
K. Hovnanian at Somerset VIII, Inc.
K. Hovnanian at Lawrence Square, Inc.
Dryer Associates, Inc.
K. Hovnanian at East Brunswick V, Inc.
K. Hovnanian at Bernards II, Inc.
K. Hovnanian at Bridgewater III, Inc.
K. Hovnanian at Plainsboro III, Inc.
K. Hovnanian at Somerset V, Inc.
K. Hovnanian at Somerset VI, Inc.
Eastern Title Agency, Inc.
K. Hovnanian Mortgage, Inc.
Governors Abstract
Eastern National Title Insurance Agency, Inc.
Founders Title Agency, Inc.
K. Hovnanian Companies North Central Jersey, Inc.
K. Hovnanian at Bedminster, Inc.
K. Hovnanian at Bridgewater IV, Inc.
K. Hovnanian at Branchburg III, Inc.
K. Hovnanian at Spring Ridge, Inc.
K. Hovnanian at Bridgewater V, Inc.
K. Hovnanian at Readington, Inc.
K. Hovnanian at Branchburg II, Inc.
K. Hovnanian at Bridgewater II, Inc.
K. Hovnanian at Branchburg I, Inc.
K. Hovnanian Companies Jersey Shore, Inc.
K. Hovnanian at Wall Township, Inc.
K. Hovnanian at Galloway VIII, Inc.
K. Hovnanian at Dover Township, Inc.
K. Hovnanian at Galloway VII, Inc.
K. Hovnanian at Tinton Falls II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Wall Township II, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Holmdel Township, Inc.
K. Hovnanian at Wall Township IV, Inc.
K. Hovnanian at Wall Township V, Inc.
K. Hovnanian at Atlantic City, Inc.
K. Hovnanian at Ocean Township II, Inc.
K. Hovnanian at Ocean Township, Inc.
K. Hovnanian at Marlboro Township, Inc.
K. Hovnanian at Howell Township, Inc.
K. Hovnanian at Howell Township II, Inc.
K. Hovnanian at Woodbury Oaks, Inc.
K. Hovnanian at Freehold Township, Inc.
K. Hovnanian at Lakewood, Inc.
K. Hovnanian Companies of the Delaware Valley, Inc.
K. Hovnanian Co. of Delaware Valley, Inc. Brokerage Company
K. Hovnanian at Lower Saucon, Inc
K. Hovnanian at Perkiomen I, Inc.
K. Hovnanian at Montgomery I, Inc.
K. Hovnanian at Upper Merion, Inc.
K. Hovnanian at Perkiomen II, Inc.
K. Hovnanian Companies of South Jersey, Inc.
K. Hovnanian at Valleybrook, Inc.
Kings Grant Evesham Corp.
K. Hovnanian at Burlington, Inc.
K. Hovnanian at Medford I, Inc.
K. Hovnanian at The Reserve @ Medford, Inc
K. Hovnanian at Kings Grant I, Inc.
K. Hovnanian at Valleybrook II, Inc.

K. Hovnanian Real Estate of Florida, Inc.
Hovnanian Developments of Florida, Inc.
K. Hovnanian Companies of Florida, Inc.
Hovnanian of Palm Beach II, Inc.
Hovnanian of Palm Beach III, Inc.
Hovnanian of Palm Beach IV, Inc.
Hovnanian of Palm Beach V, Inc.
Hovnanian of Palm Beach VI, Inc.
Hovnanian of Palm Beach VII, Inc.
Hovnanian of Palm Beach VIII, Inc.
Hovnanian of Palm Beach IX, Inc.
Hovnanian at Tarpon Lakes I, Inc.
Hovnanian at Tarpon Lakes II, Inc.
Hovnanian at Tarpon Lakes III, Inc.
K. Hovnanian at Pasco I, Inc.
K. Hovnanian at Ft. Myers I, Inc.
K. Hovnanian at Palm Beach XI, Inc.
K. Hovnanian at Jensen Beach, Inc.
Hovnanian of Palm Beach X, Inc.
K. Hovnanian at Martin Downs I, Inc.
K. Hovnanian at Jacksonville I, Inc.
K. Hovnanian at Ft. Myers II, Inc.
K. Hovnanian at Lawrence Grove, Inc.
K. Hovnanian at Jacksonville II, Inc.
K. Hovnanian of Palm Beach XIII, Inc.
Hovnanian of Palm Beach, Inc.
K. Hovnanian at Half Moon Bay, Inc.
K. Hovnanian at Woodridge Estates, Inc.
Pike Utilities, Inc.
Tropical Service Builders, Inc.
K. Hovnanian at Embassy Lakes, Inc.
K. Hovnanian at Delray Beach II, Inc.
K. Hovnanian at Orlando I, Inc.
K. Hovnanian at Orlando II, Inc.
K. Hovnanian at Orlando III, Inc.
K. Hovnanian at Martin Downs II, Inc.
K. Hovnanian at Orlando IV, Inc.
K. Hovnanian Properties of Orlando, Inc.
K. Hovnanian at Delray Beach I, Inc.
K. Hovnanian at Pasco II, Inc.
K. Hovnanian at Port St. Lucie I, Inc.
K. Hovnanian at Delray Beach, Inc.
Eastern National Title Insurance Agency, Inc.
K. Hovnanian Mortgage of Florida, Inc.
South Florida Residential Title Agency, Inc.
Eastern National Title Insurance Agency I, Inc.
Western Financial Services, Inc.
r. e. Scott Mortgage co. of Florida, Inc.
New K. Hovnanian Developments of Florida, Inc.
New K. Hovnanian Companies of Florida, Inc.
K. Hovnanian at Fairway Views, Inc.
K. Hovanian at Lake Charleston, Inc.
K. Hovnanian at Carolina Country Club I, Inc.
K. Hovnanian at Chapel Trail, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Lakes of Boca Raton, Inc.
K. Hovnanian at Lake Charleston II, Inc.
K. Hovnanian at Lake Charleston III, Inc.
K. Hovnanian at Carolina Country Club II, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Pembroke Isles, Ins.
K. Hovnanian at Carolina Country Club III, Inc.
K. Hovnanian at Coconut Creek, Inc.
K. Hovnanian at Polo Trace, Inc.
K. Hovnanian Companies of New York, Inc.
K. Hovnanian at Westchester, Inc.
K. Hovnanian at Peekskill, Inc.
K. Hovnanian at Washingtonville, Inc.
K. Hovnanian at Mahopac, Inc.
K. Hovnanian at Carmel, Inc.
K. Hovnanian Developments of New York, Inc.
Cedar Hill Water Corporation
Cedar Hill Sewer Corporation
R.C.K. Community Management Co., Inc.
K. Hovnanian Companies of Massachusetts, Inc.
K. Hovnanian at Merrimack, Inc.
K. Hovnanian at Merrimack II, Inc.
K. Hovnanian at Taunton, Inc.
New England Community Management Co., Inc.
K. Hovnanian Cos. of Metro Washington, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Woodmont,, Inc.

K. Hovnanian at Sully Station, Inc.
K. Hovnanian at Bull Run, Inc.
K. Hovnanian at Montclair, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Holly Crest, Inc.
K. Hovnanian at Woodmont, Inc.
K. Hovnanian at Montclair, Inc.(Montclair Condos)
K. Hovnanian at Fair Lakes, Inc.
K. Hovnanian at Ashburn Village, Inc.
K. Hovnanian at Park Ridge, Inc.
K. Hovnanian at Belmont, Inc.
K. Hovnanian at Fair Lakes Glen, Inc.
K. Hovnanian Developments of Metro Washington, Inc.
K. Hovnanian at River Oaks, Inc.
K. Hovnanian at Montclair, Inc. (Montclair Laing)
K. Hovnanian Companies of California, Inc.
K. Hovnanian at Clarkstown, Inc.
K. Hovnanian at West Orange, Inc.
K. Hovnanian at Wayne III, Inc.
K. Hovnanian at Wayne IV, Inc.
K. Hovnanian at Wayne V, Inc.
K. Hovnanian at Hackettstown, Inc.
K. Hovnanian at Spring Mountain, Inc.
K. Hovnaian at East Windsor II, Inc.
K. Hovnanian Treasure Coast, Inc.
K. Hovnanian at La Terraza, Inc.
K. Hovnanian at Highland Vineyards, Inc.
K. Hovnanian Companies of Southern California II, Inc.
K. Hovnanian at Vail Ranch, Inc.
K. Hovnanian at Carmel Del Mar, Inc.
K. Hovnanian at Calabria, Inc.
K. Hovnanian Developments of California, Inc.
K. Hovnanian at Ballantrae, Inc.
Ballantrae Home Sales, Inc.
K. Hovnanian at Hunter Estates, Inc.
K. Hovnanian Developments of Maryland, Inc.
K. Hovnanian Companies of Maryland, Inc.
K. Hovnanian at Seneca Crossing, Inc.
K. Hovnanian at Exeter Hills, Inc.
K. Hovnanian Southeast Florida, Inc.
K. Hovnanian Florida Region, Inc.
K. Hovnanian at East Brunswick VI, Inc.
K. Hovnanian at Berlin, Inc.
K. Hovnanian at Bedminster II, Inc.
K. Hovnanian at Marlboro Township II, Inc.
K. Hovnanian at Inverrary I, Inc.
K. Hovnanian at Mahwah IX, Inc.
K. Hovnanian at Hopewell IV, Inc.
K. Hovnanian at Northlake, Inc.
K. Hovnanian at Castile, Inc.
K. Hovnanian at Tierrasanta, Inc.
K. Hovnnaian at Bridgewater VI, Inc.
K. Hovnanian at Preston, Inc.
K. Hovnanian at Bernards III, Inc.
K. Hovnanian at Wayne VI, Inc.
K. Hovnanian at Rancho Cristianitos, Inc.
K. Hovnanian at La Trovata, Inc.
K. Hovnanian at Watchung Reserve, Inc.
K. Hovnanian at Windsong East Brunswick, Inc.
K. Hovnanian at South Brunswick V, Inc.
K. Hovnanian at Wall Township III, Inc.
K. Hovnanian at Tannery Hill, Inc.
K. Hovnanian at Upper Freehold Township I, Inc.
K. Hovnanian at Jefferson, Inc.
K. Hovnanian at Hershey's Mill, Inc.
K. Hovnanian at Bernards VI, Inc.
K. Hovnanian at Port Imperial North, Inc.
K. Hovnanian at Hopewell V, Inc.
K. Hovnanian at Hopewell VI, Inc.
K. Hovnanian at Manalapan II, Inc.
K. Hovnanian at Union Township, Inc.
K. Hovnanian at Wayne VII, Inc.
K. Hovnanian at Scotch Plains II, Inc.
K. Hovnanian at Thornbury, Inc.
K. Hovnanian at Cameron Chase, Inc.
K. Hovnanian at Marlboro Township IV, Inc.
K. Hovnanian at Port Imperial Urban Renewal, Inc.
K. Hovnanian at East Whiteland, Inc.
K. Hovnanian at Stonegate, Inc.

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10,550
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35,723
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