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, 1995

(   )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 incorporation or organization)	(I.R.S. Employer Identification No.)

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

908-747-7800
(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 12, 1996, there were outstanding 15,084,549 shares of the Registrant's Class A Common Stock and 7,952,504 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 12, 1996 was $68,065,000. (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 in April 1996 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 and eastern Pennsylvania), in southeastern Florida, in metro Washington, D. C., in North Carolina, and in southwestern California. The Company markets its homes to first time buyers and to first and second time move-up 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, title insurance activities and the development and ownership of commercial properties, primarily in New Jersey, and, to a lesser extent, in Florida.

The Company employed approximately 960 full-time associates as of October 31, 1995. 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 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.

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. 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. Current base prices for the Company's homes in contract backlog at October 31, 1995 (exclusive of upgrades and options) range from $52,000 to $395,000 in its Northeast Region, from $60,000 to $231,000 in Florida, from $100,000 to $326,000 in metro Washington, D. C., from $90,000 to $341,000 in North Carolina, and from $110,000 to $309,000 in California. 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		Eight Months Ended	Year Ended	
	October 31, 1995	October 31, 1994	October 31, 1994	February 28, 1994	February 28, 1993
	(Housing Revenue in Thousands)				
Northeast Region(1):					
Housing Revenues...	$492,388	$457,986	$223,582	$389,577	$311,347
Homes Delivered....	2,707	2,845	1,403	2,527	2,226
Average Price......	$181,894	$160,979	$159,360	$154,165	$139,868
North Carolina:					
Housing Revenues...	$115,919	$110,868	$ 78,465	$ 72,639	$ 59,399
Homes Delivered....	718	808	558	580	517
Average Price......	$161,447	$137,213	$140,618	$125,239	$114,892
Florida:					
Housing Revenues...	$ 67,272	$ 58,879	$ 37,076	$ 48,780	$ 19,900
Homes Delivered....	451	445	265	405	184
Average Price......	$149,162	$132,312	$139,909	$120,444	$108,152
Metro Washington D.C.:					
Housing Revenues...	$ 36,006	$ 40,738	$ 25,236	$ 44,783	$ 3,327
Homes Delivered....	186	223	137	288	28
Average Price......	$193,581	$183,130	$184,204	$155,497	$118,821
California:					
Housing Revenues...	$ 27,707	$ 736	$ 736	--	--
Homes Delivered....	149	4	4	--	--
Average Price......	$185,953	$184,000	$184,000	--	--
Other:					
Housing Revenues...	$ 1,189	$ 1,663	$ 1,227	$ 1,710	$ 3,333
Homes Delivered....	33	27	20	28	44
Average Price......	$ 36,030	$ 61,593	$ 61,350	$ 61,071	$ 75,750
Combined Total:					
Housing Revenues...	$740,481	$670,870	$366,322	$557,489	$397,306
Homes Delivered....	4,244	4,352	2,387	3,828	2,999
Average Price......	$174,477	$154,152	$153,465	$145,634	$132,480

(1) Excludes suspended operations in New York which are included with New Hampshire in "Other" below.

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

	Year Ended		Eight Months Ended	Year Ended	
	October 31, 1995	October 31, 1994	October 31, 1994	February 28, 1994	February 28, 1993
	(Housing Revenues in Thousands)				
First Time Buyer Product(1)					
Housing Revenues.........	$108,052	$ 97,663	$ 47,787	$154,518	$137,613
Homes Delivered..........	878	962	475	1,310	1,226
Percentage of Housing Revenues................	15%	15%	13%	28%	35%
Move-Up Buyer Product(2)					
Housing Revenues.........	$632,429	$573,207	$318,535	$402,971	$259,693
Homes Delivered..........	3,366	3,390	1,912	2,518	1,773
Percentage of Housing Revenues................	85%	85%	87%	72%	65%

(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 3,910 homes or $660,033,000 for the year ended October 31, 1995 from 3,546 homes or $546,185,000 for the year ended October 31, 1994. Overall on a dollar basis this increase amounted to 20.8% and was the result of a 10.3% increase in the number of homes contracted and a 9.6% increase in the average home base sales prices. On a market area basis, Florida enjoyed the highest increase of 52.3%, followed by North Carolina with a 24.3% increase, and the Northeast Region with a 10.3% increase. Only Metro Washington D. C. had a decrease which amounted to 3.1%. California was in its first full year of operation and is not comparable to last year.

In anticipation of future losses the Company has written down certain residential inventories to their estimated fair value. The $2,780,000 impairment loss presented on the consolidated statement of income represents the total aggregate impairment loss of $9,634,000 recorded on inventory at October 31, 1995 net of $6,854,000 of reserves placed on inventories at October 31, 1994 and not used during the current year. See "Notes to Consolidated Financial Statements - Note 11" for additional explanation.

As of October 31, 1995, the following table summarizes the Company's active communities under development:

	Communities	Approved Lots	Homes Delivered	(1) Contracted Not Delivered	(2) Remaining Home Sites Available
Northeast Region......	47	8,562	2,944	872	4,746
North Carolina........	30	3,012	1,061	235	1,716
Florida...............	12	1,827	435	232	1,160
Metro Washington D.C..	7	456	188	22	246
California............	9	910	115	65	730
Total	105	14,767	4,743	1,426	8,598

(1) Includes 97 lots under option.

(2) Of the total home sites available, 420 were under construction or completed (including 119 models and sales offices), 2,353 were under option, and 1,536 were financed through purchase money mortgages.

In addition, in substantially completed or suspended developments, the Company had 69 homes under construction or completed including 45 homes which are in contract. The Company also owned 254 lots without construction (five in contract) in these substantially completed or suspended developments.

BACKLOG

Sales of the Company's 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, 1995 and October 31, 1994, the Company had a backlog of signed contracts for 1,476 homes and 1,810 homes, respectively, with sales values aggregating $275,701,000 and $310,455,000, respectively. Substantially all of the Company's backlog at October 31, 1995 is expected to be completed and closed within the next twelve months. At December 31, 1995 and 1994, the Company's backlog of signed contracts was 1,539 homes and 1,868 homes, respectively, with sales values aggregating $280,074,000 and $323,925,000, 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, 1995, 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.......	40	10,036	$154,260	$26,304
Owned.............	6	1,184		26,994
Total..........	46	11,220		53,298
North Carolina:				
Under Option.......	2	129	$ 3,156	1
Florida:				
Owned.............	3	992		2,663
Metro Washington, D.C.:				
Under Option........	2	105	$ 3,469	92
Owned..............	1	191		2,724
Total...........	3	296		2,816
Totals:				
Under Option........	44	10,270		26,397
Owned..............	10	2,367		32,381
Combined Total........	54	12,637		$58,778

(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, 1995, option fees and deposits aggregating approximately $8,220,000. As of October 31, 1995, the Company spent an additional $18,177,000 in non-recoverable predevelopment costs on such properties.

(2) The book value of $58,778,000 plus other land inventory costs of $225,000, totals $59,003,000 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. The Company satisfies its land requirements primarily through a takedown program of developed lots in existing subdivisions. As a result of its decision to concentrate in the southeast, 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 southwest 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 Eatontown, New Jersey and operates branch offices in Raleigh, North Carolina and West Palm Beach, Florida. Additionally, KHM originates loans in Pennsylvania.

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 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.

RENTAL PROPERTY DEVELOPMENT ACTIVITIES AND LAND INVENTORY

The Company 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. The Company has concentrated primarily on the construction of single-story office/warehouses and retail strip centers. The Company's objectives are to create recurring revenues from the rental and/or sale of its developed properties and to achieve appreciation in the value of its properties over the long-term. The Company expects to limit its future commercial development activities.

In connection with the development of its commercial properties, the Company would, when possible, purchase or enter into options to purchase all sites subject to obtaining applicable zoning and required utilities. Generally, the Company will seek anchor tenants and other lessees for its projects before construction begins. In some situations, on land already owned by the Company, the Company may build office/warehouse buildings on speculation, but only to a limited degree. Following the construction and lease-up of new buildings, the Company intends to perform all functions relating to the management and operation of the buildings.

The Company has completed or acquired and placed into operation the following commercial properties:

Location	October 31, 1995 Square Feet Total	Leased	Percent Leased	October 31, 1995 Book Value
North Brunswick, NJ:				
Retail center.............	53,042	51,542	97%	$ 4,622,000
Office/warehouse building.	86,155	73,926	86%	6,237,000
Office/warehouse building.	85,680	70,040	82%	6,953,000
Piscataway Township, NJ:				
Retail center.............	97,520	95,701	98%	10,419,000
Allaire, NJ:				
Retail Center.............	116,222	111,410	96%	8,022,000
Franklin Township, NJ:				
Retail Center.............	138,364	138,364	100%	(1)
West Palm Beach, FL:				
Office Building...........	43,290	39,811	92%	4,583,000
Jacksonville, FL - Phase I:				
Office/warehouse building.	42,456	33,008	78%	3,926,000
Office building...........	35,689	32,310	91%	3,919,000
Total..................	698,418	646,112	93%	$48,681,000

(1) Property is held in a partnership 50% owned by the Company. The Company's investment in this partnership of $3,803,000 is included in the balance sheet under "Investment In and Advances To Unconsolidated Affiliates and Joint Ventures."

(2) Includes 14,130 square feet leased to the Company's Florida Division.

The Company had two residential rental properties at October 31, 1995 both being low income senior citizen communities. These communities consist of 171 condominium apartments and are fully leased. By building these homes the Company expects to qualify for federal tax credits amounting to approximately $12,000,000 over ten years. At October 31, 1995, the net book value of these communities was $11,971,000.

The Company has the ability to obtain long-term financing on its commercial properties after each property is substantially leased. At October 31, 1995, all the above listed properties except Allaire, New Jersey had non-recourse financing totaling $31,490,000.

At October 31, 1995, the Company owned two additional parcels of commercial land in New Jersey. One of these parcels is adjacent to the North Brunswick, NJ commercial properties. The Company is seeking opportunities to sell, lease, or develop this property. Its book value at October 31, 1995 amounted to $8,102,000. On the second parcel in Newark, NJ adjacent to its University Heights residential development, the Company is currently planning a 112,000 square foot retail center. Construction will not begin until an anchor tenant is secured. The Company has secured a federal government urban development grant amounting to $3,928,000 to partially defray the cost of developing the facility. At October 31, 1995 the Company had spent $1,384,000 in site preparation costs. At completion the total cost, net of the grant, is estimated to be $9,500,000.

In addition, the Company owns one parcel of commercial land in Jacksonville, Florida. On a portion of this parcel the Company has constructed 78,145 square feet of office/warehouse and office buildings. The Company will build additional buildings on this parcel after existing space is leased. The book value of the remaining land at October 31, 1995 amounted to $1,509,000.

CERTAIN OPERATING POLICIES AND PROCEDURES

Financial Goals. The Company is focusing on housing margin improvement and de-emphasizing revenue growth. The Company has been growing rapidly in the last few years. Housing revenues rose from $414 million during the year ended February 28, 1993 to $759 million for the year ended October 31, 1995. While housing revenues have increased, housing margins have decreased from 1993 to 1995. To improve its housing margin, the Company will focus on reducing overheads, increasing associate productivity and reducing construction costs by decreasing construction cycle times and by removing non-value added construction items and using national and regional contracts.

Strategic Initiatives. In order to help improve housing margins the Company has 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 details of every operation. 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.

Process Redesign is a fundamental rethinking and radical redesign of our processes to achieve dramatic improvements in performance. The Company's Process Redesign is 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 numerous 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, 1995, the Company's advertising expenditures totaled $12,899,000.

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, 1995, approximately 34% 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.

Competition in commercial real estate is considerable. The Company competes in the acquisition of properties for development and in the leasing of space with many other realty and general contracting concerns, both local and national, many of which have greater resources than the Company. To the extent the level of vacant office space in the metropolitan or suburban areas in which the Company's commercial properties are located increases, the Company would not proceed with the development of such properties and, with respect to existing developments, the Company's ability to increase rental rates and/or maintain its occupancy levels could be adversely affected.

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.

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 43,290 square feet office building located in West Palm Beach, Florida of which 14,130 square feet house the Florida divisional office, 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 40,000 square feet in various New Jersey locations, 12,000 square feet in Fairfax, Virginia, 13,000 square feet in various North Carolina locations, 3,400 square feet in Broward County, Florida, and 5,000 square feet in southwestern 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.

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, 1995 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 1,200 shareholders of record at January 12, 1996. Prior to the Company's recapitalization in September 1992 the Company's Common Stock was also traded on the American Stock Exchange. (See "Notes to Consolidated Financial Statements - Note 13" for additional explanation on recapitalization.) There is no established public trading market for the Company's Class B Common Stock, which was held by approximately 900 shareholders of record at January 12, 1996.

The high and low sales prices for the Company's Class A Common Stock were as follows for each fiscal quarter during the year ended October 31, 1995, the eight months ended October 31, 1994, and the years ended February 28, 1994 and 1993:

	Class A Common Stock							
	Oct. 31, 1995		Oct 31, 1994(1)		Feb 28, 1994		Feb 28, 1993	
Quarter	High	Low	High	Low	High	Low	High	Low
First........	$6.25	$4.75	$13.88	$9.88	$12.38	$10.50	--	--
Second.......	$6.50	$5.00	$11.38	$7.75	$14.13	$10.63	--	--
Third........	$7.13	$5.25	$ 8.63	$5.75	$18.13	$13.25	$11.25	$ 8.50
Fourth.......	$8.25	$5.31	--	--	$16.00	$13.00	$13.13	$10.63

(1) For eight months ended October 31, 1994 the third period represents the two months September and October 1994.

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 $35,773,000 was free of such restrictions at October 31, 1995. 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.

	Year Ended		Eight Months Ended	Year Ended			
Summary Consolidated Income Statement Data	October 31, 1995	October 31, 1994	October 31, 1994	February 28, 1994	February 28, 1993	February 29, 1992	February 28, 1991
		(Unaudited)		(In Thousands Except Per Share Data)			
Revenues......................	$777,745	$704,443	$386,585	$587,010	$429,315	$318,527	$275,428
Expenses......................	756,091	687,912	402,090	557,859	414,790	316,633	296,610
Income(loss) before income taxes, extraordinary loss and cumulative effect of change in accounting for income taxes..............	21,654	16,531	(15,505)	29,151	14,525	1,894	(21,182)
State and Federal income tax..	7,526	5,054	(5,075)	9,229	4,735	299	(5,937)
Extraordinary loss............				(1,277)			
Cumulative effect of change in accounting for income taxes......................					883		
Net income (loss)...........	$ 14,128	$ 11,477	$(10,430)	$ 18,645	$ 9,790	$ 2,478	$(15,245)
Earnings per common share:							
Income (loss) before extraordinary loss and cumulative effect of change in accounting for income taxes..........	$ 0.61	$ 0.50	$ (0.46)	$ 0.87	$ 0.43	$ 0.07	$ (0.74)
Extraordinary loss...........				(0.05)			
Cumulative effect of change in accounting for income taxes......................					0.04		
Net income (loss)...........	$ 0.61	$ 0.50	$ (0.46)	$ 0.82	$ 0.43	$ 0.11	$ (0.74)
Weighted average number of common shares outstanding..	23,032	22,906	22,906	22,821	22,775	21,988	20,695

Summary Consolidated Balance Sheet Data							
Total assets................	$645,378		$612,925	$539,602	$465,029	$399,455	$437,930
Mortgages and notes payable...	$183,044		167,179	68,244	$ 66,699	$105,071	$158,836
Bonds collateralized by mortgages receivable.......	$ 17,880		20,815	30,343	39,914	49,879	55,456
Participating senior subordinated debentures and subordinated notes.....	$200,000		200,000	200,000	152,157	67,723	71,559
Stockholders' equity..........	$176,335		162,130	171,001	151,937	141,989	125,421

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 31,1995 were for operating expenses, seasonal increases in housing inventories, construction of commercial facilities, income taxes and interest. The Company provided for its cash requirements from outside borrowings, the revolving credit facility, and land purchase notes, as well as from housing and other revenues. The Company believes that these sources of cash are sufficient to finance its working capital requirements and other needs.

The Company's bank borrowings are made pursuant to a revolving credit agreement (the "Agreement") which provides a revolving credit and letter of credit line of up to $225,000,000 through March 1998. Interest is payable monthly and at various rates of either prime plus 1/2% or Libor plus 2%. The Company believes that it will be able either to extend the Agreement beyond March 1998 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, 1995, $80,650,000 of indebtedness was outstanding under the Agreement.

The aggregate principal amount of subordinated indebtedness issued by the Company and outstanding as of October 31, 1995 was $200,000,000. Annual sinking fund payments of $20,000,000 are required in April 2001 and 2002 with additional payments of $60,000,000 and $100,000,000 due in April 2002 and June 2005.

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 the Company 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, 1995, the aggregate outstanding principal amount of such borrowings was $59,735,000.

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

	October 31, 1995	October 31, 1994
Residential real estate inventory.......	$404,413,000	$386,540,000
Residential rental property............	12,381,000	8,158,000
Total residential real estate.......	416,794,000	394,698,000
Commercial properties..................	62,297,000	63,321,000
Combined Total......................	$479,091,000	$458,019,000

Total residential real estate increased $22,096,000 from October 31, 1994 to October 31, 1995 as a result of an inventory increase of $17,873,000 and a residential rental property increase of $4,223,000. The increase in residential real estate inventory was primarily due to the Company's expansion into the California market and expansion within some of its existing markets. Residential homes under construction or completed and included in residential real estate inventory at October 31, 1995 are expected to be closed during the next twelve months. The Company's residential rental property increased due to the Company's completion of a second senior citizen rental complex consisting of 75 homes. The Company expects to receive federal low income housing tax credits on this rental complex. 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, 1995:			
Owned..........................	10,279	1,379	8,900
Optioned.......................	12,823	97	12,726
Total	23,102	1,476	21,626
October 31, 1994:			
Owned..........................	11,302	1,721	9,581
Optioned.......................	13,754	89	13,665
Total	25,056	1,810	23,246

The Company's commercial properties represent long-term investments in commercial and retail facilities completed or under development (see "Investment Properties" under "Results of Operations"). When individual facilities are completed and substantially leased, the Company will have the ability to obtain long-term financing on such properties. At October 31, 1995 the Company had long-term non-recourse financing aggregating $31,490,000 on six commercial facilities, an increase from October 31, 1994, due to financing obtained for two New Jersey and two Florida facilities amounting to $14,200,000 offset by $251,000 in principal amortization.

Collateral Mortgage Financing - collateral for bonds payable consists of collateralized mortgages receivable which are pledged against non-recourse collateralized mortgage obligations. Financial Services - mortgage loans held for sale consist of residential mortgages receivable of which $45,669,000 and $23,460,000 at October 31, 1995 and October 31, 1994, 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 - GENERAL

The Company's operations consist primarily of residential housing development and sales in its Northeast Region (comprised primarily of New Jersey and eastern Pennsylvania), in southeastern Florida, North Carolina, metro Washington D. C. (northern Virginia), and in southwestern California. Operations in California began for the first time during the eight months ended October 31, 1994, but sales and deliveries were minimal until the year ended October 31, 1995. In addition, the Company develops and operates commercial properties as long-term investments in New Jersey, and, to a lesser extent, Florida.

On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the year end of the fiscal year of the Company be changed from the last day of February to October 31. The reports covering the three month periods ended May 31, 1994 and August 31, 1994 were filed on Form 10-Q. The report covering the eight month transition period of March 1, 1994 through October 31, 1994 was filed on Form 10-K. Thereafter, the Company has filed reports as of January 31, April 30, July 31, and October 31. The Company has included an unaudited comparative statement of income for the year ended October 31, 1994 as part of its financial statements. In addition, included in "Notes to Consolidated Financial Statements - Note 2", the Company has presented unaudited income statement data for the year ended October 31, 1994. To adequately address the Results of Operations, the Company has split the discussion into two sections: one covering the year ended October 31, 1995 compared to the unaudited year ended October 31, 1994, and one covering the eight month transition period ended October 31, 1994, and the years ended February 28, 1994, and 1993.

During the year ended October 31, 1995, the eight months ended October 31, 1994, and the years ended February 28, 1994 and 1993, the Company's Northeast Region and North Carolina Division consistently produced operating profits. These profits have been reduced by net losses from its other housing divisions, its other operations and the establishment of reserves to reduce the book value of certain residential inventories to their estimated fair value (net realizable value for periods prior to the year ended October 31, 1995 - see "Notes to Consolidated Financial Statements - Note 11.") During the eight months ended October 31, 1994 the Company's operations resulted in a net loss primarily from the losses from other operations, a provision to reduce certain inventory to net realizable value, lower gross margins, and higher selling, general, and administrative expenses due to the expensing of such costs over fewer average monthly home deliveries during the eight month transition period ended October 31, 1994 compared to the average monthly home deliveries over twelve months.

RESULTS OF OPERATIONS - Years Ended October 31, 1995 and 1994

The Company has presented an audited statement of income for the year ended October 31, 1995 and an unaudited statement of income for the year ended October 31, 1994. Below is management's discussion and analysis of the results of operations for these comparative years.

Total Revenues

Compared to the year ended October 31, 1994, total revenues for the year ended October 31, 1995 increased $73.3 million, or 10.4%, due to a $69.6 million housing revenue increase, a $6.0 million increase in land sales and other homebuilding revenues, a $0.8 million decrease in investment properties revenues, a $0.4 million decrease in financial services revenues, and a $1.1 million decrease in collateralized mortgage financing revenues.

Homebuilding

Housing revenues for the year ended October 31, 1995 increased $69.6 million, or 10.3%, compared to the year ended October 31, 1994. 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, 1995	Year Ended October 31, 1994
	(Dollars in Thousands)	
Northeast Region:		
Housing Revenues..................	$492,388	$457,986
Homes Delivered...................	2,707	2,845
North Carolina:		
Housing Revenues..................	$115,919	$110,868
Homes Delivered...................	718	808

Florida:		
Housing Revenues	$ 67,272	$ 58,879
Homes Delivered	451	445
Metro Washington, D. C.:		
Housing Revenues	$ 36,006	$ 40,738
Homes Delivered	186	223
California:		
Housing Revenues	$ 27,707	$ 736
Homes Delivered	149	4
Other:		
Housing Revenues	$ 1,189	$ 1,663
Homes Delivered	33	27
Totals:		
Housing Revenues	$740,481	$670,870
Homes Delivered	4,244	4,352

The increase in housing revenues was primarily the result of increases in average sales prices. 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 are increasing as a result of the addition of new 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 increased because there was a higher percentage of single family detached homes delivered.

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

	October 31, 1995	October 31, 1994
	(Dollars in Thousands)	
Northeast Region:		
Total Contract Backlog	$176,517	$227,719
Number of Homes	885	1,284
North Carolina:		
Total Contract Backlog	$ 43,336	$ 39,719
Number of Homes	253	240
Florida:		
Total Contract Backlog	$ 36,213	$ 30,283
Number of Homes	243	215
Metro Washington, D. C.:		
Total Contract Backlog	$ 6,592	$ 7,933
Number of Homes	28	43
California:		
Total Contract Backlog	$ 13,043	$ 4,405
Number of Homes	67	21
Other:		
Total Contract Backlog	-	$ 396
Number of Homes	-	7
Totals:		
Total Contract Backlog	$275,701	$310,455
Number of Homes	1,476	1,810

The decline in total backlog is the net of backlog increases in Florida, North Carolina, and California and backlog declines in the Northeast Region and Metro Washington, D.C. In Florida and North Carolina increases in backlog of 19.6% and 9.1%, respectively, were due primarily to increased sales in the fourth quarter of fiscal 1995 compared to the same period last year. In California the increase was the result of the prior year being a startup period. The Northeast Region backlog decreased 22.5% from October 31, 1994 to October 31, 1995. This decrease was primarily the result of higher fiscal 1995 fourth quarter deliveries compared to the same period last year and unusually high net contracts in October 1994 causing a sharp increase in backlog at that time. In Metro Washington, D. C. a decrease in backlog of 16.9% was due to a reduced number of communities offered for sale. The Company has cut back its operations in Metro Washington, D. C. due to slow sales and stiff competition.

The Company has written down certain residential inventories $2.8 million during the year ended October 31, 1995 to their estimated fair value. See "Notes to Consolidated Financial Statements - Note 11." for additional explanation. These writedowns were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property. During the year ended October 31, 1994, the Company established additional reserves of $6.4 million to reduce certain residential inventories to their net realizable value.

The writedowns of residential inventories during the year ended October 31, 1995 were primarily attributable to one community in New York, one in New Jersey and three communities in Metro Washington, D.C. The reserves established during the year ended October 31, 1994 are primarily attributable to three communities, one each in New York, New Hampshire, and Pennsylvania. 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 1995 writedown was due to the termination of home sales in a community and the offering of the remaining owned lots for sale. In Metro Washington, D.C. 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 against a parcel of land which the Company is attempting to liquidate through lot sales. In New Hampshire, the 1994 reserve was an addition to prior years' reserves due to reduced sales prices in one community in anticipation of a bulk sale of the remaining homes. In the Pennsylvania community, the 1994 reserve was due to reduced sales prices and an extended sellout period. At October 31, 1995 and 1994 residential inventories were reduced $9.6 million and $10.7 million, respectively, due to the above items.

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, 1995	Year Ended October 31, 1994
Sale of Homes.........................	$740,481	$670,870
Cost of Sales.........................	584,246	531,757
Housing Gross Margin..................	$156,235	$139,113
Gross Margin Percentage...............	21.1%	20.7%

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, 1995 gross margins improved in all the Company's markets except Metro Washington, D.C. compared to the year ended October 31, 1994. These increases were slightly offset by a change in geographic and product mix with an additional 1.8% of home deliveries coming from outside the Northeast Region where gross margins are traditionally lower. Although material costs increased, the Company was able to improve margins primarily due to the Company's cost reduction efforts. Such efforts include more standardized designs, and national purchase contracts.

Selling and general administrative expenses increased $17.0 million during the year ended October 31, 1995 compared to the prior year. As a percentage of homebuilding revenues such expenses increased to 12.3% for the year ended October 31, 1995 from 11.2% for the prior year. The dollar increase is due primarily to increased home sales and delivery activities. The percentage increase is primarily due to the increased advertising and buyer concessions. Such increases were due to a more competitive sales environment. Also general selling expenses increased as a percentage of homebuilding revenues due to an increase in the number of communities open for sale. During the year ended October 31, 1995 home sale contracts increased 20.8% over previous year.

Land Sales and Other Revenues

Land sales and other revenues consist primarily of land and lot sales, title insurance activities, interest income, contract deposit forfeitures, and California housing management operations.

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

	Year Ended October 31, 1995	Year Ended October 31, 1994
Land and Lot Sales....................	$ 8,101	$ 5,079
Cost of Sales.........................	6,714	4,123
Land and Lot Sales Gross Margin.......	$ 1,387	$ 956

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 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. During the year ended October 31, 1994 the Company purchased a home building and management company in California for $0.8 million. Although no new management contracts have been obtained, the contracts resulted in $1.0 million and $1.7 million of revenues for the years ended October 31, 1995 and 1994, respectively. Included in Other Operations (see below) are expenses associated with the California homebuilding management operations and amortization of all of the acquisition price of the management contracts of $0.8 million.

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 34% and 30% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the years ended October 31, 1995 and 1994, respectively. For the years ended October 31, 1995 and 1994 losses were incurred primarily due to expansion costs into other Company housing markets and reduced interest rate spreads, due to increased competition. In addition during the year ended October 31, 1995 the Company sold certain mortgage loans it was holding as an investment which resulted in a $0.5 million loss. 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. At October 31, 1995, the Company owned and was leasing two office buildings, three office/warehouse facilities, three retail centers, and two senior citizen rental communities. During the year ended October 31, 1994 investment property expenses included a $0.8 million loss from the sale of a mini-storage facility.

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, the Company has sold CMO pledged mortgages. The cost of such sales and the writeoff of unamortized issuance expenses has resulted in losses.

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 1.7% and 1.9% for the years ended October 31, 1995 and 1994, respectively. Such expenses includes 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 year ended October 31, 1995 and 1994 amounting to $2.0 million and $2.0 million, respectively.

Interest

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

	Year Ended October 31, 1995	Year Ended October 31, 1994
Sale of Homes.........................	$ 24,706	$ 19,559
Land and Lot Sales....................	735	837
Rental Properties.....................	5,303	4,963
Total.................................	$ 30,744	$ 25,359

Housing interest as a percentage of sale of home revenues amounted to 3.3% and 2.9% for the years ended October 31, 1995 and 1994, respectively. The increase of interest as a percentage of sale of home revenues is primarily attributable to an increased average interest on the Company's line of credit and a slightly reduced inventory turnover.

Other Operations

Other operations consisted primarily of title insurance activities, miscellaneous residential housing operations expenses, 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 amounting to $1.2 million and the cost of organizational restructuring in the Northeast Region and California amounting to $1.3 million. During the year ended October 31, 1994 other expenses included California homebuilding management expenses and amortization of purchased management contracts amounting to $2.5 million, the writeoff of a $1.0 million receivable resulting from the reversal of a legal judgment, and $0.4 million loss from the sale of a 49% interest in a condominium management company.

Total Taxes

Total taxes as a percentage of income before income taxes amounted to 34.8% and 30.6% for the years ended October 31, 1995 and 1994, 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 10" for an additional explanation of taxes.)

RESULTS OF OPERATIONS - Eight Months Ended October 31, 1994 and Years Ended February 28, 1994 and 1993

Where the description of operations and resulting changes is similar to the years ended October 31, 1995 and 1994, reference will be made to the above discussion and analysis.

Total Revenues

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

	Eight Months Ended October 31, 1994	Year Ended February 28, 1994
Homebuilding:		
Sale of homes....................	$113,381	$160,183
Land sales and other revenues....	2,454	(6,231)
Financial Services.................	819	2,203
Investment Properties..............	1,054	2,415
Collateralized Mortgage Financing..	(519)	(875)
Total Change..................	$117,189	$157,695

Homebuilding

Compared to the same prior period, housing revenues increased $113.4 million or 44.8% for the eight months ended October 31, 1994, and $160.2 million or 40.3% for the year ended February 28, 1994. 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:

	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(Dollars in Thousands)		
Northeast Region(1):			
Housing Revenues......	$223,582	$389,577	$311,347
Homes Delivered.......	1,403	2,527	2,226
North Carolina:			
Housing Revenues......	$ 78,465	$ 72,639	$ 59,399
Homes Delivered.......	558	580	517
Florida:			
Housing Revenues......	$ 37,076	$ 48,780	$ 19,900
Homes Delivered.......	265	405	184
Metro Washington, D. C.:			
Housing Revenues......	$ 25,236	$ 44,783	$ 3,327
Homes Delivered.......	137	288	28
California:			
Housing Revenues......	$ 736	--	--
Homes Delivered.......	4	--	--
Other:			
Housing Revenues......	$ 1,227	$ 1,710	$ 3,333
Homes Delivered.......	20	28	44
Totals:			
Housing Revenues......	$366,322	$557,489	$397,306
Homes Delivered......	2,387	3,828	2,999

(1) Excludes suspended operations in New York which are included with New Hampshire in "Other".

The increase in housing revenue was the result of an increase in home deliveries and average sales prices. Increased deliveries are primarily the result of opening up more communities for sale during this period and expanding into eastern Pennsylvania and metro Washington, D. C. 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. Also, average sales prices have increased in Florida because all its new communities offer detached single family homes.

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

	October 31, 1994	February 28, 1994
	(Dollars in Thousands)	
Northeast Region:		
Total Contract Backlog..........	$227,719	$173,430
Number of Homes.................	1,284	1,182
North Carolina:		

Total Contract Backlog	$ 39,719	$ 55,620
Number of Homes	240	402
Florida:		
Total Contract Backlog	$ 30,283	$ 37,837
Number of Homes	215	278
Metro Washington, D. C.:		
Total Contract Backlog	$ 7,933	$ 10,377
Number of Homes	43	50
California:		
Total Contract Backlog	$ 4,405	--
Number of Homes	21	--
Other:		
Total Contract Backlog	$ 396	$ 863
Number of Homes	7	14
Totals:		
Total Contract Backlog	$310,455	$278,127
Number of Homes	1,810	1,926

The Company has established reserves to reduce certain residential inventories to their estimated net realizable values including costs to carry and dispose. These reserves were established primarily because of lower property values due to economic downturns or a change in the marketing strategy to liquidate a particular property. The established reserves are reduced for carrying costs (i.e., property taxes, interest, etc.) incurred or losses incurred upon property sale. During the eight months ended October 31, 1994 and the year ended February 28, 1993, the Company established additional reserves of $6.4 million and $3.1 million, respectively. The October 31, 1994 reserve is primarily attributable to the same reasons noted in the previous homebuilding section. The February 28, 1993 reserve was substantially attributable to two Florida developments where sales prices were reduced to accelerate their sellout. (See "Notes to Consolidated Financial Statements - Note 1" for an additional explanation of reserves.)

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

	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(Dollars in Thousands)		
Sale of Homes	$366,322	$557,489	$397,306
Cost of Sales	296,308	434,653	306,707
Housing Gross Margin	$ 70,014	$122,836	$ 90,599
Gross Margin Percentage	19.1%	22.0%	22.8%

During the eight months ended October 31, 1994 the Company incurred $2.7 million for warranty repair work primarily to remedy a Northeast Region roof design problem. Excluding this item the gross margin for the eight months ended October 31, 1994 is 19.9%. For the eight months ended October 31, 1993 the gross margin was 21.2%. The decline in gross margin for the Company occurred for the following reasons:

- The percentage of housing revenues coming from the Northeast Region where margins are greater have decreased. At February 28, 1993, when the margins were highest, the Northeast Region revenues were 78.4% of the total. The percentage dropped to 61.0% for the eight months ended October 31, 1994.
- Increase in such costs as a percentage of North Carolina and Florida housing revenues. The North Carolina and Florida markets are very competitive which keeps prices and margins down. Also in Florida, the increase was caused by higher developed lot costs.
- Material costs have increased sharply during the above periods as demand increased for such materials.
- The Company has added value to its homes while not obtaining equivalent increases in its home sale price because of competitive pressures.

Selling, general and administrative expenses increased $9.5 million during the eight months ended October 31, 1994 and $16.9 million during the year ended February 28, 1994, respectively, compared to the similar prior period. The increase during the eight months ended October 31, 1994 is due primarily to increased home sales and delivery activities. As a percentage of housing revenues, such expenses decreased to 13.9% for the eight months ended October 31, 1994 from 15.6% for the similar prior period. The increase for the year ended February 28, 1994 was primarily due to increased selling expenses resulting from increased new sales contracts and home deliveries. As a percentage of housing revenues, such expenses decreased to 11.5% for the year ended February 28, 1994 from 11.9% for the year ended February 28, 1993. The eight months ended October 28, 1994 increase as a percentage of housing revenues from the year ended February 28, 1994 was primarily attributable to a 34% increase in homebuilding associates. This was due to anticipated growth and the expensing of such costs over fewer average monthly home deliveries during the eight month transition period ended October 31, 1994 compared to the average monthly home deliveries over twelve months.

Land Sales and Other Revenues

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

	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(Dollars in Thousands)		
Land and Lot Sales.................	$ 2,812	$ 4,188	$ 10,946
Cost of Sales......................	2,643	3,158	8,564
Land and Lot Sales Gross Margin.....................	$ 169	$ 1,030	$ 2,382

Comments noted in the previous land sales and other section also apply here. In addition, the California amounts are the same for the eight and twelve months ended October 31, 1994.

Financial Services

Comments noted in the previous financial services section also apply here. Approximately 29%, 27%, and 26% of the Company's homebuyers obtained mortgages originated by the Company's wholly-owned mortgage banking subsidiaries during the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993, respectively.

Investment Properties

Comments noted in the previous investment property section also apply here. The gain reported in the previous section from the sale of a retail center occurred during the year ended February 28, 1994.

Collateralized Mortgage Financing

Comments noted in the previous collateralized mortgage financing section also apply here.

Corporate General and Administration

Corporate general and administration expenses include the operations at the Company's headquarters in Red Bank, New Jersey. As a percentage of total revenues such expenses were 2.6% and 2.5% for the eight months ended October 31, 1994 and 1993, respectively, and 1.8%, and 1.9% for the years ended February 28, 1994 and 1993, respectively. The increase for the eight months ended October 31, 1994 over 1993 was due primarily to the Company's long term improvement initiatives of total quality, process redesign, and training. Such initiatives resulted in additional expenses for the eight months ended October 1994 over 1993 amounting to $1.3 million. For the twelve months ended February 28, 1994 and 1993, such expenses as a percentage of revenues decreased due to increased revenues.

Interest

Interest expense includes housing, land and lot, and rental properties interest (see "Notes to Consolidated Financial Statements - Note 7" for a breakdown). Housing interest as a percentage of housing revenues amounted to 3.1% and 3.5% for the eight months ended October 31, 1994 and 1993, respectively, and 3.1%, and 3.9% for the years ended February 28, 1994 and 1993, respectively. The decline of interest as a percentage of housing revenues is primarily attributable to increased inventory turnover, reduced average interest rates, and reinvestment of Company profits.

Other Operations

Comments noted in the previous other operations section also apply here. Information on specific other expenses is the same for the eight and twelve months ended October 31, 1994.

Total Taxes

Total net tax benefits as a percentage of the loss before income taxes amounted to 32.7% and 29.3% for the eight months ended October 31, 1994 and 1993, respectively. Total taxes as a percentage of income before income taxes amounted to 31.7% and 32.5% for the years ended February 28, 1994 and 1993, respectively. The Company applied for and received a refund of federal income taxes for the year ended February 29, 1992 based on a loss carryback amounting to approximately $1.6 million. Comments on income taxes in the previous total taxes section also apply here.

Extraordinary Loss

In July 1993, the Company redeemed all of its outstanding 12 1/4% Subordinated Notes due 1998 at a price of 102% of par. The principal amount redeemed was $50,000,000 and the redemption resulted in an extraordinary loss of $1,277,000 net of income taxes of $658,000.

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 51% 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 year ended October 31, 1995, the eight months ended October 31, 1994, and the years ended February 28, 1994 and 1993 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 l0, 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 l4A, in connection with the Company's annual meeting of shareholders to be held in April 1996, 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	72	Chairman of the Board, Chief Executive Officer, and Director of the Company.	l967
Ara K. Hovnanian	38	President and Director of the Company.	l979
Paul W. Buchanan	45	Senior Vice President-Corporate Controller and Director of the Company.	l981
Timothy P. Mason	55	Senior Vice President-Adminis-tration/Secretary and Director of the Company.	1975
Peter S. Reinhart	45	Senior Vice President and General Counsel and Director of the Company.	1978
John J. Schimpf	46	Executive Vice President and Director of the Company.	1981
J. Larry Sorsby	40	Senior Vice President-Finance/ Treasurer	1988

Mr. K. Hovnanian founded the predecessor of the Company in l959 (Hovnanian Brothers, Inc.) and has served as Chairman of the Board of the Company since its incorporation in l967. Mr. K. Hovnanian was also President of the Company from 1967 to April 1988.

Mr. A. Hovnanian was appointed President in April 1988, after serving as Executive Vice President from March 1983. Mr. A. Hovnanian was elected a Director of the Company in December l98l. Mr. A. Hovnanian is the son of Mr. K. Hovnanian.

Mr. Buchanan was appointed Senior Vice President-Corporate Controller in May l990, after serving as Vice President-Corporate Controller from March 1983.

Mr. Buchanan was elected a Director of the Company in March l982.

Mr. Mason was appointed Senior Vice President of Administration/ Secretary of the Company in March 1991, after serving as Vice President - Administration/Treasurer and Secretary of the Company since March l982. Mr. Mason was elected a Director of the Company in 1980.

Mr. Reinhart was appointed Senior Vice President and General Counsel in April 1985 after serving as Vice President and Chief Legal Counsel since March l983. Mr. Reinhart was elected a Director of the Company in December l98l.

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-Finance/Treasurer of the Company in March 1991, after serving as Vice President/Finance of the Company since September l988.

Item 11 - EXECUTIVE COMPENSATION

The information called for by Item ll is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in April 1996, which will involve the election of directors.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item l2 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in April l996, which will involve the election of directors.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Item l3 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation l4A, in connection with the Company's annual meeting of shareholders to be held in April 1996, which will involve the election of directors.

PART IV

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

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Financial Statements:	
Index to Consolidated Financial Statements......................	F-1
Independent Auditors' Report....................................	F-2
Consolidated Balance Sheets at October 31, 1994 and 1995.........	F-3
Consolidated Statements of Income for the years ended October 31, 1995 and 1994 (unaudited), the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993...	F-5
Consolidated Statements of Stockholders' Equity for the year ended October 31, 1995, the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993...........	F-6
Consolidated Statements of Cash Flows for the year ended October 31, 1995, the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993................	F-7
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Financial Statement Schedules:	
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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.

10(d) Description of Management Bonus Arrangements.(8)

10(e) Description of Savings and Investment Retirement Plan.(1)

10(f) Stock Option Plan.(6)

10(g) Management Agreement dated August 12, 1983 for the management of properties by K. Hovnanian Investment Properties, Inc.(1)

10(h) Agreement dated July 8, 1981 between Hovnanian Properties of Atlantic County, Inc. and Kevork S. Hovnanian.(2)

10(i) Management Agreement dated December 15, 1985, for the management of properties by K. Hovnanian Investment Properties, Inc.(3)

10(j) 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.

Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarter ended October 31, 1995.

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 and
Chief Executive Officer

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	1/22/96
/S/ARA K. HOVNANIAN Ara K. Hovnanian	President and Director	1/22/96
/S/PAUL W. BUCHANAN Paul W. Buchanan	Senior Vice President Corporate Controller and Director	1/22/96
/S/TIMOTHY P. MASON Timothy P. Mason	Senior Vice President- Administration/Secretary and Director	1/22/96

/S/PETER S. REINHART Peter S. Reinhart	Senior Vice President and General Counsel and Director	1/22/96
/S/JOHN J. SCHIMPF John J. Schimpf	Executive Vice President and Director	1/22/96
J. LARRY SORSBY J. Larry Sorsby	Senior Vice President/ Finance and Treasurer	1/22/96

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 consolidated balance sheets of Hovnanian Enterprises, Inc. and subsidiaries as of October 31, 1995 and 1994, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended October 31, 1995, the eight-month period ended October 31, 1994, and for the years ended February 28, 1994 and 1993. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and the 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 and schedules 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 financial position of Hovnanian Enterprises, Inc. and subsidiaries at October 31, 1995 and 1994 and the consolidated results of its operations and cash flows for the year ended October 31, 1995, the eight- month period ended October 31, 1994 and for the years ended February 28, 1994 and 1993 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

New York, New York
December 22, 1995

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

ASSETS	October 31, 1995	October 31, 1994
Homebuilding:		
Cash and cash equivalents(Note 5)	$ 14,147	$ 17,299
Inventories - At cost, not in excess of fair value (Notes 7 and 11):		
Sold and unsold homes and lots under development	345,410	328,961
Land and land options held for future development or sale	59,003	57,579
Total Inventories	404,413	386,540
Receivables, deposits, and notes (Notes 6 and 12)	27,782	25,778
Property, plant, and equipment - net (Note 4)	14,644	11,437
Prepaid expenses and other assets	26,422	26,757
Total Homebuilding	487,408	467,811
Financial Services:		
Cash	1,306	138
Mortgage loans held for sale.(Note 6)	46,621	29,459
Other assets	1,940	1,451
Total Financial Services	49,867	31,048
Investment Properties:		
Rental property - net (Note 4)	63,310	56,181
Property under development or held for future development	11,368	15,298
Investment in and advances to unconsolidated joint venture	3,804	3,994
Other assets	3,795	3,231
Total Investment Properties	82,277	78,704
Collateralized Mortgage Financing:		
Collateral for bonds payable (Note 6)	18,184	21,275
Other assets	1,281	1,404
Total Collateralized Mortgage Financing	19,465	22,679
Income Taxes Receivable - Including deferred tax benefits (Note 10)	6,361	12,683
Total Assets	$645,378	$612,925

See notes to consolidated financial statements.

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

LIABILITIES AND STOCKHOLDERS' EQUITY	October 31, 1995	October 31, 1994
Homebuilding:		
Nonrecourse land mortgages (Note 7)	$ 25,046	$ 26,938
Accounts payable and other liabilities	48,619	42,586
Customers' deposits (Note 5)	11,626	12,138
Nonrecourse mortgages secured by operating properties (Note 7)	4,003	2,946
Total Homebuilding	89,294	84,608
Financial Services:		
Accounts payable and other liabilities	1,043	772
Mortgage warehouse line of credit (Note 6)	41,855	20,554
Total Financial Services	42,898	21,326
Investment Properties:		
Accounts payable and other liabilities	1,105	1,731
Nonrecourse mortgages secured by rental property (Note 7)	31,490	17,541

Total Investment Properties	32,595	19,272
Collateralized Mortgage Financing:		
Accounts payable and other liabilities	14	15
Bonds collateralized by mortgages receivable (Note 6)	17,880	20,815
Total Collateralized Mortgage Financing	17,894	20,830
Notes Payable:		
Revolving credit agreement (Note 7)	80,650	99,200
Subordinated notes (Note 8)	200,000	200,000
Accrued interest	5,712	5,559
Total Notes Payable	286,362	304,759
Total Liabilities	469,043	450,795
Commitments and Contingent Liabilities (Notes 5 and 14)		
Stockholders' Equity (Note 15):		
Preferred Stock,$.01 par value-authorized 100,000 shares; none issued		
Common Stock,Class A,$.01 par value-authorized 87,000,000 shares; issued 15,384,357 shares (including 345,874 shares held in Treasury)	154	149
Common Stock,Class B,$.01 par value-authorized 13,000,000 shares; issued 8,344,444 shares (including 345,874 shares held in Treasury)	83	88
Paid in Capital	33,935	33,858
Retained Earnings (Note 8)	147,462	133,334
Treasury Stock - at cost	(5,299)	(5,299)
Total Stockholders' Equity	176,335	162,130
Total Liabilities and Stockholders' Equity	$645,378	$612,925

See notes to consolidated financial statements.

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

	Year Ended		Eight Months Ended	Year Ended	
	October 31, 1995	October 31, 1994	October 31, 1994	February 28, 1994	February 28, 1993
		(Unaudited)			
Revenues:					
Homebuilding:					
Sale of homes	$740,481	$670,870	$366,322	$557,489	$397,306
Land sales and other revenues	18,399	12,422	7,493	9,969	16,200
Total Homebuilding	758,880	683,292	373,815	567,458	413,506
Financial Services	7,347	7,709	4,347	6,890	4,687
Investment Properties	9,531	10,323	6,396	9,024	6,609
Collateralized Mortgage Financing	1,987	3,119	2,027	3,638	4,513
Total Revenues	777,745	704,443	386,585	587,010	429,315
Expenses:					
Homebuilding:					
Cost of sales	590,960	535,880	298,951	437,811	315,271
Selling, general and administrative	93,349	76,349	51,041	64,282	47,350
Provision to reduce inventory to estimated net realizable value(Note 11)		6,357	6,357	3,100	
Inventory impairment loss (Note 11)	2,780				
Total Homebuilding	687,089	618,586	356,349	502,093	365,721
Financial Services	9,025	7,993	5,543	6,420	3,934
Investment Properties	6,135	7,302	5,206	5,797	5,599
Collateralized Mortgage Financing	2,173	3,756	2,379	4,284	4,985
Corporate General and Administration(Note 3)	13,002	13,558	10,133	10,678	8,382
Interest	30,744	25,359	15,313	22,530	22,269
Other operations	7,923	9,475	7,167	4,174	3,900
Provision for loan writedown (Note 12)		1,883		1,883	
Total Expenses	756,091	687,912	402,090	557,859	414,790
Income(Loss) Before Income Taxes and Extraordinary Loss	21,654	16,531	(15,505)	29,151	14,525
State and Federal Income Taxes:					
State (Note 8)	2,306	1,037	1,118	903	1,599
Federal (Note 8)	5,220	4,017	(6,193)	8,326	3,136
Total Taxes	7,526	5,054	(5,075)	9,229	4,735
	14,128	11,477	(10,430)	19,922	9,790

Extraordinary Loss from Extinguishment of Debt, Net of Income Taxes (Note 8)				(1,277)	
Net Income (Loss)	$ 14,128	$ 11,477	$(10,430)	$ 18,645	$ 9,790
Earnings Per Common Share (Note 1):					
Income (loss) before extraordinary loss and cumulative effect of change in accounting	$0.61	$0.50	($0.46)	$ 0.87	$ 0.43
Extraordinary loss				(0.05)	
Net Income (Loss)	$0.61	$0.50	($0.46)	$ 0.82	$ 0.43

See notes to consolidated financial statements.

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

	Common Stock		A Common Stock		B Common Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Retained Earnings	Treasury Stock	Total
Balance, February 29, 1992	22,755,631	$ 234					$31,725	$115,329	$(5,299)	$141,989
Sale of common stock under employee stock option plan.	28,000	1					157			158
Conversion of common stock to Class A and Class B	(22,783,631)	(235)	11,391,815	$118	11,391,815	$117				
Conversion of Class B to Class A common stock			1,928,981	19	(1,928,981)	(19)				
Treasury stock purchases			(41)		(41)					
Retirements			(1)							
Net Income								9,790		9,790
Balance, February 28, 1993	0	0	13,320,754	137	9,462,793	98	31,882	125,119	(5,299)	151,937
Sale of common stock under employee stock option plan.			29,250		29,250		419			419
Conversion of Class B to Class A common stock			1,011,587	10	(1,011,581)	(10)				
Net Income								18,645		18,645
Balance, February 28, 1994	0	0	14,361,591	147	8,480,462	88	32,301	143,764	(5,299)	171,001
Issuance of Class A Com Stock			180,000	2			1,557			1,559
Conversion of Class B to Class A common stock			188,708		(188,708)					
Net Loss								(10,430)		(10,430)
Balance, October 31, 1994	0	0	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	0	$ 0	15,038,483	154	7,998,570	$83	$33,935	$147,462	($5,299)	$176,335

See notes to consolidated financial statements.

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

	Year Ended October 31, 1995	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
Cash Flows From Operating Activities:				
Net Income (Loss)	$ 14,128	$(10,430)	$18,645	$9,790
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,095	2,508	3,035	2,924
Loss (gain) on sale and retirement of property and assets	875	623	244	(282)
Writedown of loan from sale of subsidiary			1,883	
Deferred income taxes	1,786	(960)	(1,573)	(195)
Loss from unconsolidated affiliates			8	269
Provision to reduce inventory to estimated net realizable value		6,357		3,100
Inventory impairment loss	2,780			
Decrease (increase) in assets:				

Escrow cash	(654)	1,986	1,811	(3,249)
Receivables, prepaids and other assets	(2,929)	4,530	(6,006)	(22,296)
Mortgage notes receivable	(21,432)	20,362	(22,043)	(15,755)
Inventories	(20,653)	(113,745)	(35,347)	(38,476)
Increase (decrease) in liabilities:				
State and Federal income taxes	4,536	(14,661)	6,140	4,978
Customers' deposits	(470)	455	3,974	455
Interest and other accrued liabilities	4,873	(6,701)	(3,308)	15,073
Post development completion costs	(3,557)	(1,041)	3,166	(3,665)
Accounts payable	4,472	3,016	7,289	2,882
Amortization of debenture discounts			3	24
Net cash used in operating activities	(12,150)	(107,701)	(22,079)	(44,423)
Cash Flows From Investing Activities:				
Proceeds from sale of property and assets	1,046	5,292	2,114	3,327
Investment in property and assets	(2,580)	(6,636)	(1,464)	(3,198)
Purchase of property	(5,526)	(3,214)	(3,130)	(3,571)
Investment in and advances to unconsolidated affiliates	200	(298)	204	204
Investment in income producing properties	(4,858)	4,133	(16,597)	(1,796)
Investment in loans from sale of subsidiaries			50	(86)
Net cash used in investing activities	(11,718)	(723)	(18,823)	(5,120)
Cash Flows From Financing Activities:				
Proceeds from mortgages and notes	944,284	473,621	552,640	255,340
Proceeds from subordinated debt			100,000	100,000
Principal payments on mortgages and notes	(931,254)	(384,218)	(557,531)	(303,677)
Principal payments on subordinated debt			(52,160)	(15,590)
Investment in mortgage notes receivable	8,138	10,284	10,597	11,240
Proceeds from sale of stock	77		419	157
Net cash provided by financing activities	21,245	99,687	53,965	47,470
Net Increase (Decrease) In Cash	(2,623)	(8,737)	13,063	(2,073)
Cash Balance, Beginning Of Period	14,537	23,274	10,211	12,284
Cash Balance, End Of Period	$ 11,914	$14,537	$23,274	$10,211
Supplemental Disclosures Of Cash Flow:				
Cash paid (received) during the year for:				
Interest (net of amount capitalized)	$ 30,128	$17,380	$25,173	$19,546
Income Taxes	1,192	10,574	3,867	(48)
	$ 31,320	$27,954	$29,040	$19,498

See notes to consolidated financial statements.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED OCTOBER 31, 1995, THE EIGHT MONTHS ENDED OCTOBER 31, 1994 AND THE YEARS ENDED FEBRUARY 28, 1994 AND 1993.

1. SUMMARY OF ACCOUNTING POLICIES

Year End Change - On May 10, 1994, the Board of Directors of the Company adopted a resolution providing that the date for the end of the fiscal year of the Company be changed from the last day of February to October 31. The report covering the three month periods ended May 31, 1994 and August 31, 1994 were filed on Form 10-Q. The report covering the eight month transition period of March 1 through October 31, 1994 was included in the 1994 Form 10-K. Thereafter, the Company has filed reports as of January 31, April 30, July 31, and October 31.

Operations - The Company, a Delaware Corporation, principally develops housing communities in New Jersey, Pennsylvania, Florida, North Carolina, Virginia, and California. In addition, the Company develops and operates income producing properties.

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 fourth quarter, the Company recorded $1.3 million for the cost of consolidating operations, writing off of certain assets, and associate severance payments. These charges were associated with consolidating certain common functions in the New Jersey, Pennsylvania, 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.

New Accounting Pronouncement - The Company has adopted FASB Statement No. 121("FAS 121"), "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed." Details of this change in accounting are disclosed in Note 11.

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 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 charged to cost of sales as the related inventories are sold (see Note 7).

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.

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 are amortized to costs of sales as the applicable inventories are sold.

Per Share Calculations - Per share amounts are calculated on a weighted average basis and reflect the recapitalization described in Note 15.

2. UNAUDITED ADDITIONAL INCOME STATEMENT INFORMATION

The Company's management prepared income statement information based on the year ended October 31, 1994. In the opinion of management all adjustments for this period have been made, which include only normal recurring accruals and deferrals necessary for a fair presentation of consolidated income information. For the year ended October 31, 1994 interest incurred amounted to $21,844,000 and $5,192,000 and interest expensed amounted to $20,396,000 and $4,963,000 for residential and commercial operations, respectively. Interest charged to reserves and sales of assets was $299,000 and $355,000, respectively, for the year ended October 31, 1994.

3. 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 $1,987,000 and $1,964,000 for the years ended October 31, 1995 and 1994, respectively.

4. 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, 1995 and October 31, 1994 amounted to $13,731,000 and $11,854,000, respectively. Rental property consists of two office buildings, three office warehouse facilities, three retail shopping centers, rental condominiums, and two senior citizen rental communities in New Jersey. Accumulated depreciation on rental property at October 31, 1995 and October 31, 1994 amounted to $9,440,000 and $7,781,000, respectively.

5. ESCROW CASH

The Company holds escrow cash amounting to $3,711,000 and $3,057,000 at October 31, 1995 and October 31, 1994, 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, 1995 and October 31, 1994, $5,885,000 and $4,558,000 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.

6. 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 or prior to February 28, 1987 pledged against collateralized mortgage obligations ("CMO's"). At October 31, 1995 and October 31, 1994, respectively, $45,669,000 and $23,460,000 of such mortgages were pledged against the Company's mortgage warehouse line (see "Notes to Consolidated Financial Statements - Note 7"). 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, 1995.

In connection with certain bulk sales of condominium homes, land sales, and the sale of certain subsidiaries, the Company made loans. At October 31, 1995 and October 31, 1994, the outstanding balance of such loans amounted to $2,729,000 and $3,146,000, respectively, with interest rates at October 31, 1995 ranging up to 10.5%.

7. 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 $501,000 in 1996, $553,000 in 1997, $606,000 in 1998, $6,198,000 in 1999, and $27,635,000 after 1999.

The Company has a Revolving Credit Agreement ("Agreement") with a group of banks which provides up to $225,000,000 through March 1998. Interest is payable monthly and at various rates of either prime plus 1/2% or LIBOR plus 2%. In addition, the Company pays 3/8% per annum on the weighted average unused portion of the line. The Company believes that it will be able either to extend the Agreement beyond March 1998 or negotiate a replacement facility, but there can be no assurance of such extension or replacement facility.

Interest costs incurred, expensed and capitalized were:

	Year Ended October 31, 1995	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(Dollars in Thousands)			
Interest incurred (1):				
Residential(3)	$32,257	$15,677	$20,830	$15,990
Commercial(4)	5,571	3,289	5,138	6,165
Total incurred	$37,828	$18,966	$25,968	$22,155
Interest expensed:				
Residential(3)	$25,441	$12,118	$17,622	$16,460
Commercial(4)	5,303	3,195	4,908	5,809
Total expensed	$30,744	$15,313	$22,530	$22,269
Interest capitalized at beginning of year	$29,480	$26,443	$23,366	$24,062
Plus: Interest incurred	37,828	18,966	25,968	22,155
Less: Interest expensed	30,744	15,313	22,530	22,269
Less: Charged to reserves	382	261	361	583
Less: Sale of assets	-	355	-	-
Interest capitalized at end of year	$36,182	$29,480	$26,443	$23,365
Interest capitalized at end of year (5),(6):				
Residential(3)	$29,684	$23,507	$20,209	$15,727
Commercial(2)	6,498	5,973	6,234	7,638

Total interest capitalized	$36,182	$29,480	$26,443	$23,365

(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 homes are delivered.
(4) Represents rental operation's interest charged to interest expense.
(5) Capitalized residential interest at February 28, 1994 includes $1,635,000 reported at February 28, 1993 as capitalized commercial interest. This reclassification was the result of the transfer of two parcels of land from commercial due to a change in the intended use to residential housing.
(6) Capitalized commercial interest at October 31, 1995 includes $257,000 reported at October 31, 1994 as capitalized residential interest. This reclassification was the result of a transfer of two senior citizen rental communities to Investment Properties.
(7) For the unaudited twelve months ended October 31, 1994 see Note 2.

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

	October 31,1995	October 31, 1994	February 28, 1994	February 28, 1993
		(Dollars In Thousands)		
Average outstanding borrowings	$160,029	$ 72,204	$ 39,632	$ 32,788
Average interest rate during period(1)	8.7%	7.4%	5.4%	6.2%
Average interest rate at end of period	8.9%	9.9%	--	6.5%
Maximum outstanding at any month end	$187,050	$118,455	$ 72,700	$ 68,350

(1) Total interest incurred for the eight months or year divided by average outstanding short term borrowings.

8. SUBORDINATED NOTES

On June 24, 1988, the Company issued $50,000,000 principal amount of 12 1/4% Subordinated Notes due June 15, 1998. In July 1993, the Company redeemed all of these notes at a price of 102% of par. The redemption resulted in an extraordinary loss of $1,277,000 net of an income tax benefit of $658,000.

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. Annual sinking fund payments of $20,000,000 are required to commence April 15, 2000, and are calculated to retire 40% of the issue prior to maturity.

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, 1995, $35,773,000 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 $179,000,000 as of October 31, 1995.

9. RETIREMENT PLAN

On December 1982, the Company established a defined contribution savings and investment retirement plan. Under such plan there are no prior service costs. All associates 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 $1,028,000 for the year ended October 31, 1995, $843,000 for the eight months ended October 31, 1994 and $788,000 and $477,000 for the years ended February 28, 1994 and 1993, respectively.

10. INCOME TAXES

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

	October 31, 1995	October 31, 1994
	(In Thousands)	
State income taxes:		
Current	$ 1,345	$ 298
Deferred	(903)	(812)

Federal income taxes:		
Current	(1,437)	(4,926)
Deferred	(5,366)	(7,243)
Total	$ (6,361)	$(12,683)

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

	Year Ended October 31, 1995	Eight Months Ended October 31, 1994	Year Ended February 28, 1994	Year Ended February 28, 1993
	(In Thousands)			
Capitalized interest	$ (2)	$ (3)	$ (3)	$ (16)
Homeowner association maintenance reserves	(53)	(46)	166	53
Installment sales	(59)	(431)	(493)	(578)
Provision to reduce inventory to net realizable value	1,665	(287)	1,324	954
Inventory impairment loss	(973)			
Deferred expenses	8	(54)	(727)	(608)
Depreciation	316	328	298	
Post development completion costs	352	(127)	(1,988)	
Net operating losses	33	97	(129)	
Other	65	(3)	(21)	
Low income housing tax credit	434	(434)		
Benefit (Provision) - total	$ 1,786	$ (960)	$(1,573)	$ (195)

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

	October 31, 1995	October 31, 1994
	(In Thousands)	
Deferred Tax Liabilities:		
Deferred interest	$ 247	$ 249
Installment sales	294	353
Accelerated depreciation	1,749	1,433
Total	2,290	2,035
Deferred Tax Assets:		
Deferred income	338	358
Maintenance guarantee reserves	589	536
Provision to reduce inventory to net realizable value	2,199	3,864
Inventory impairment loss	973	
Uniform capitalization of overhead	1,911	2,096
Post development completion costs	1,763	2,115
Other	786	687
Low income housing tax credit	-	434
Total	8,559	10,090
Net Deferred Tax Assets	$(6,269)	$(8,055)

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

	October 31, 1995	October 31, 1994	February 28, 1994	February 28, 1993
Computed "expected" tax rate	35.0%	(35.0%)	35.0%	34.0%
State income taxes, net of Federal income tax benefit	6.9%	4.7%	1.8%	7.3%
Loss carryforward of New Fortis subsidiary	--	--	(2.1%)	(2.6%)
Company owned life insurance	(4.4%)	(3.7%)	(2.0%)	(3.6%)
Other	(2.7%)	1.3%	(1.0%)	(2.6%)
Effective tax rate	34.8%	(32.7%)	31.7%	32.5%

The Company has state net operating loss carryforwards for financial reporting and tax purposes of $248,000,000 due to expire between the years October 31, 1996 and October 31, 2010.

11. 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 might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. During the year ended October 31, 1995, events and circumstances indicated that $10,701,000 of inventories was impaired. Based on the Company's evaluation of the expected revenue, cost to complete including interest, and selling cost, the inventory was written down by $4,142,000 to its fair value.

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. During the year ended October 31, 1995, inventory with a carrying amount of $18,956,000 was written down by $5,492,000 to its fair value. The Company expects to sell $7,705,000 of this inventory within one year and the remaining $11,251,000 in future years.`

The $2,780,000 impairment loss presented on the consolidated statement of income represents the total aggregate impairment loss of $9,634,000 recorded on inventory held for development and held for sale net of $6,854,000 of reserves placed on inventories at October 31, 1994.

During the eight months ended October 31, 1994, the Company provided reserves of $6.4 million to reduce certain residential properties to their estimated net realizable values. The October 31, 1994 reserve is primarily attributable to three communities, one each in New York, New Hampshire, and Pennsylvania. In New York, the reserve is an addition to prior years' reserves due to reduced sales prices, buyers concessions, and an extended sellout period. In New Hampshire, the reserve is also an addition to prior years' reserves due to reduced sales prices in anticipation of a bulk sale of the remaining homes. In Pennsylvania, the reserve is due to reduced sales prices and an extended sellout period. The February 28, 1993 reserve was substantially attributable to two Florida communities where the Company significantly reduced sales prices. Although all of these communities except New Hampshire have very few standing unsold houses, by reducing sales prices and offering buyer incentives the Company plans to accelerate their buildout. The Company believed the rapid liquidation of these properties will enable it to concentrate on newer and more profitable developments. In addition, in years prior to February 29, 1992 the Company established similar reserves attributable to Florida, New Hampshire and New York communities.

During the twelve months ended October 31, 1995 and the eight months ended October 31, 1994 and the years ended February 28, 1994 and 1993, the Company charged $3,886,000, $5,209,000, $4,176,000, and $5,245,000, respectively, against reserves for losses realized from the sales of certain homes and land parcels. In the twelve months ended October 31, 1995, the eight months ended October 31, 1994, and the years ended February 28, 1994 and 1993, respectively, these charges consisted of $3,338,000, $4,900,000, $3,620,000, and $4,459,000 of construction, and operations costs, $166,000 $89,000, $195,000, and $201,000 of selling, general and administration expenses and $382,000, $220,000, $361,000 and $583,000 of interest expenses. At October 31, 1995, inventory and residential rental inventory have been reduced by $9,634,000 to adjust such assets to fair value. At October 31, 1994, inventory and residential rental inventory have been reduced by an allowance of $10,739,000 to reflect the carrying amounts at estimated net realizable value.

12. 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, 1995 and 1994 related party receivables from officers and directors amounted to $1,954,000 and $1,677,000, 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.

On March 1, 1990, the Company sold all the assets and liabilities of its wholly-owned engineering subsidiary Najarian and Associates ("N & A") to the employees of N & A for $3,600,000. One of these employees and former President of N & A was Tavit O. Najarian, the son-in-law of Mr. K. Hovnanian, Chairman of the Board and Director of the Company. The sale was approved by members of the Company's Board of Directors who were not related to Mr. Najarian. At the closing the Company received a cash payment of $720,000 and a $2,880,000 note. Originally the note carried an annual interest rate of 10% and was to amortize over ten years. As long as any portion of the note is outstanding, the Company receives 25% of the net cash flow. During the year ended February 29, 1992, N & A began to experience a significant decrease in business activity. As a result, the note was modified by changing the interest rate to prime, add accrued interest from September 1, 1991 to September 1, 1992 to principal and reschedule principal payments over the balance of the term of the note. As a result of continued financial difficulties, a committee consisting of independent directors of the Board of Directors of the Company (the "Committee") engaged an outside consultant to determine the fair market value of the above note. Based on the consultant's findings, the Committee recommended a reduction in the note including accrued interest from $2,983,000 to $1,100,000 at February 28, 1994. This reduction of the note was charged to operations during the year ended February 28, 1994. In addition, the Committee recommended a new term of ten years with annual interest on the note of 5% for the first two years adjusting to prime thereafter. Amortization would begin in year three with an annual minimum amount of 5%, ranging up to 30% in year 10, or 85% of cash flow after interest, whichever is greater. The Committee also recommended a $300,000 discount if the loan was paid in full during the first two years.

The Company provides property management services to various limited partnerships including two partnerships 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, 1995, no amounts were due the Company by these partnerships.

On May 10, 1994, the Board of Directors approved the acquisition of the 10% minority interest in certain Florida subsidiaries owned by Paul W. Asfahl, President of the Company's Florida Division. For his 10% interest, the Company issued 45,000 shares of Class A Common Stock to Mr. Asfahl.

On August 2, 1994, the Board of Directors approved the acquisition of the 15% minority interest in the New Fortis Corporation owned primarily by Marvin D. Gentry, President of the New Fortis Corporation. For the 15% interest, the Company issued 135,000 shares of Class A Common Stock to Mr. Gentry and the other owners.

13. 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. Stock option transactions are summarized as follows:

	October 31, 1995	October 31, 1994	February 28, 1994	February 28, 1993
Options outstanding at beginning of period	938,500	938,500	1,004,000	530,500
Granted	270,000	--	--	509,500
Exercised	15,000	--	58,500	28,000
Cancelled	17,500	--	7,000	8,000
Options outstanding at end of period	1,176,000	938,500	938,500	1,004,000
Options exercisable at end of period	748,667	598,833	598,833	336,500
Price range of options exercised	$5.13	--	$3.00-$9.44	$5.13-$9.44
Price range of options outstanding	$5.13-$11.50	$5.13-$11.50	$5.13-$11.50	$3.00-$11.50

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. The disclosure requirements of this Statement shall be effective for financial statements for fiscal years beginning after December 15, 1995. However, 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 will be required to provide proforma net income and earnings per share information "as if" the new fair value approach had been adopted. Because the Company intends to continue accounting for its stock option plan under APB 25, there would have been no impact on the Company's financial statements resulting from adoption.

14. 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, 1995 and 1994, respectively, the Company is obligated under various performance letters of credit amounting to $7,397,000 and $6,088,000.

15. RECAPITALIZATION

In September 1992, the Company's stockholders approved a Plan of Recapitalization (the "Recapitalization"). The Recapitalization became effective September 11, 1992.

On the effective date, each outstanding share of the Company's common stock, par value $.01 per share, was converted into one-half of a share of "Class A Common Stock", par value $.01 per share having one vote per share, and one-half of a share of "Class B Common Stock", par value $.01 per share having 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. Shareholders may convert their shares of Class B Common Stock into an equal number of shares of Class A Common Stock at any time. A holder of Class B Common Stock can wait until the time of sale and deliver the Class B Common Stock to a broker. The broker will then present the Class B Common Stock to the Company's transfer agent, which will issue the purchaser shares of Class A Common Stock.

16. UNAUDITED SUMMARIZED CONSOLIDATED QUARTERLY INFORMATION

Summarized quarterly financial information for the twelve months ended October 31, 1995, the eight months ended October 31, 1994, and the year ended February 28, 1994 is as follows:

	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

	Two Months Ended	Three Months Ended	
	October 31, 1994	August 31, 1994	May 31, 1994
	(In Thousands Except Per Share Data)		
Revenues	$149,215	$138,381	$ 98,989
Expenses	$157,333	$141,289	$103,468
Loss before income taxes	$ (8,118)	$ (2,908)	$ (4,479)
State and Federal income tax	$ (3,149)	$ (426)	$ (1,500)
Net loss	$ (4,969)	$ (2,482)	$ (2,979)
Loss per common share	$ (.22)	$ (.11)	$ (.13)
Weighted average number of common shares outstanding	22,906	22,887	22,849

	Three Months Ended			
	February 28, 1994	November 30, 1993	August 31, 1993	May 31, 1993
	(In Thousands Except Per Share Data)			
Revenues	$257,691	$143,078	$123,291	$ 62,950
Expenses	$241,046	$136,157	$116,093	$ 64,563
Income (loss) before income taxes and extraordinary loss	$ 16,645	$ 6,921	$ 7,198	$ (1,613)
State and Federal income tax	$ 5,277	$ 2,152	$ 2,426	$ (626)
Income (loss) before extraordinary loss	$ 11,368	$ 4,769	$ 4,772	$ (987)
Extraordinary loss from extinguishment of debt, net of income taxes				$ (1,277)
Net income (loss)	$ 11,368	$ 4,769	$ 4,772	$ (2,264)
Earnings (loss) per common share:				
Income (loss) before extraordinary loss	$ .50	$ .21	$ .21	$ (.05)
Extraordinary loss				$ (.05)
Net income (loss)	$ .50	$ .21	$ .21	$ (.10)
Weighted average number of common shares outstanding	22,842	22,839	22,818	22,784

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

DESCRIPTION	BALANCE FEB. 29, 1992	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	BALANCE FEB 28, 1993
Land and land development costs	$ 2,523,000	$2,306,000	$2,292,000	Closings	$3,899,000	Reclass	$ 6,436,000
Land, land options and costs of comm. in planning	8,200,000	794,000	1,458,000	Closings	(2,690,000)	Reclass	4,846,000
Rental property	4,889,000		1,495,000	Closings	(1,007,000)	Reclass	2,387,000
Income producing property under development	300,000				(202,000)	Reclass	98,000
	$15,912,000	$3,100,000	$5,245,000		$0		$13,767,000

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	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	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	DESCRIPTION	CHARGED TO OTHER ACCOUNTS	DESCRIPTION	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, 1995	October 31, 1994	February 28, 1994	February 28, 1993
Advertising....................	$12,899,000	$6,368,000	$8,587,000	$5,895,000
Depreciation...................	$ 4,095,000	$2,508,000	$3,035,000	$2,924,000
Maintenance guarantee reserves.	$ 1,248,000	$ 669,000	$1,237,000	$2,764,000

SCHEDULE XI
HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
OCTOBER 31, 1995

Description	Gross Amounts (A)(B)(C)(D) Land	Building/ Improvements	Total	Tax Basis	Accumulated Depreciation
1 Society Hill Florida Lake Worth, FL Condominiums	0	$ 349,000	$ 349,000	$ 349,000	0
2.North Center Drive North Brunswick, NJ Flex Building	$ 636,000	7,247,000	7,883,000	6,508,000	$ 930,000
3 K.Hovnanian Corp.Center West Palm Beach, FL Office Building	541,000	5,183,000	5,724,000	5,247,000	1,141,000
4 Society Hill @ Merrimack Merrimack, NH Condominiums	0	61,000	61,000	61,000	0
5 Hovnanian Corp.Center North Brunswick, NJ Retail	1,000,000	4,760,000	5,760,000	5,205,000	1,138,000
6 Piscataway Retail Piscataway, NJ Retail Center	1,743,000	10,540,000	12,283,000	11,299,000	1,864,000
7 Hovnanian Corp. Center North Brunswick, NJ Office/Warehouse	616,000	8,678,000	9,294,000	8,253,000	3,057,000
8 Cypress Plaza Jacksonville, FL Retail Center	1,318,000	6,870,000	8,188,000	7,441,000	542,000
9 Allaire Shopping Center Allaire, NJ Retail Center	1,688,000	6,769,000	8,457,000	8,457,000	435,000
10 Hidden Meadows Ocean Twp, NJ Condominiums	544,000	5,740,000	6,284,000	6,125,000	293,000
11 North Brunswick V North Brunswick, NJ Retail/Land Under Development	714,000	1,975,000	2,689,000	2,415,000	0
12 Norfolk Village Mahwah, NJ Condominiums	640,000	5,381,000	6,021,000	5,731,000	41,000
13 Miscellaneous New Jersey Leasehold Improvements	0	5,000	5,000	5,000	0
14 Hovnanian Corp. Center North Brunswick, NJ Land/Land Improvement Approval & Flex Building Under Construction	2,705,000	5,156,000	7,861,000	7,280,000	0
15 Newark Shopping Center Newark, NJ Land Improvement and Approval Costs	0	1,384,000	1,384,000	1,383,000	0
16 Merrimack Commercial Merrimack, NH Land/Land Improvement Costs	75,000	100,000	175,000	175,000	0
17 Cypress Plaza Jacksonville, FL Land/Land Improvement and Approval Costs	1,104,000	405,000	1,509,000	1,509,000	0
18 Jensen Beach Club Jensen Beach, FL Land/Land Improvement and Approval Costs	192,000	0	192,000	192,000	0
	$13,516,000	$70,603,000	$84,119,000	$77,635,000	$9,441,000

(A) Fiscal Year Construction Completed:
    1 - 1985
    2 through 3 - 1987
    4 through 8 - 1990
    9 through 11 - 1993
    12 - 1995
    13 through 18 - not completed

SCHEDULE XI (CONCLUDED)

(B) Depreciable Life:
    40 years - 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, and $1,408,000 and $1,723,000 for the twelve months ended February 28, 1994 and 1993, respectively.

(C) Items marked 14 through 18 consist of land improvement, building construction, and approval costs on land held for future development.

Balance - February 28, 1993		$ 67,938,000
Additions:	Improvements	3,635,000
	Transfers from inventories	6,558,000

	Acquisitions	8,020,000
Deletions:	Cost of rental condominiums sold	(1,414,000)
	Cost of retail center sold	(728,000)
	Abandonment of project	(202,000)
Balance - February 28, 1994		83,807,000
Additions:	Improvements	2,249,000
	Transfers from inventories	145,000
Deletions:	Cost of rental condomimiums sold	(1,806,000)
	Cost of commercial center sold	(1,243,000)
	Cost of mini storage sold	(3,892,000)
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

Balance at October 31, 1995 is reported on the consolidated balance sheet as rental and income producing properties under development.

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.

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15,625
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28,318
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404,413
550,714
29,266
13,731
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