

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934  
(AMENDMENT NO. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to (S)240.14a-11(c) or (S)240.14a-12

Hovnanian Enterprises, Inc.

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(Name of Registrant as Specified In Its Charter)

Hovnanian Enterprises, Inc.

-----  
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

\$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(j)(2).

\$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:\*

(4) Proposed maximum aggregate value of transaction:

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\* Set forth the amount on which the filing fee is calculated and state how it was determined.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

June 22, 1994

Dear Shareholder:

You are cordially invited to attend the 1994 Annual Meeting of Shareholders which will be held on Wednesday, July 13, 1994, in the Boardroom of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York. The meeting will start promptly at 10:30 a.m.

It is important that your shares be represented and voted at the meeting. Therefore, we urge you to complete, sign, date and return the enclosed proxy card in the envelope provided for this purpose. Of course, if you attend the meeting, you may still choose to vote your shares personally, even though you have already returned a signed proxy. Important items to be acted upon at the meeting include the election of directors, the ratification of the selection of independent accountants and the ratification of the Company's Cash Bonus Plan.

We sincerely hope you will be able to attend and participate in the Company's 1994 Annual Meeting. We welcome the opportunity to meet with many of you and give you a firsthand report on the progress of your Company.

Sincerely yours,

/s/ Kevork S. Hovnanian

Kevork S. Hovnanian  
Chairman of the Board  
and  
Chief Executive Officer

HOVNIANIAN ENTERPRISES, INC.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
JUNE 22, 1994  
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Notice is Hereby Given that the Annual Meeting of Shareholders of Hovnianian Enterprises, Inc. will be held on Wednesday, July 13, 1994, in the Board Room of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York at 10:30 a.m. for the following purposes:

1. The election of Directors of the Company for the ensuing year, to serve until the next Annual Meeting of Shareholders of the Company and until their respective successors may be elected and qualified.
2. The ratification of the selection of Kenneth Leventhal & Company as independent accountants to examine financial statements for the Company for the eight month transition period ended October 31, 1994.
3. The ratification of the Company's Cash Bonus Plan.
4. The transaction of such other business as may properly come before the meeting and any adjournment thereof.

Only shareholders of record at the close of business on June 17, 1994 are entitled to notice of and to vote at the meeting.

Accompanying this Notice of Annual Meeting of Shareholders is a proxy statement, a form of proxy and the Company's Annual Report for the year ended February 28, 1994.

All shareholders are urged to attend the meeting in person or by proxy. Shareholders who do not expect to attend the meeting are requested to complete, sign and date the enclosed proxy and return it promptly in the self-addressed envelope provided.

By order of the Board of Directors,  
Timothy P. Mason  
Secretary

June 22, 1994

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATE AND SIGN IT, AND RETURN IT IN THE ENVELOPE PROVIDED. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.

HOVNANIAN ENTERPRISES, INC.  
10 HIGHWAY 35  
P.O. BOX 500  
RED BANK, NEW JERSEY 07701

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PROXY STATEMENT  
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GENERAL

The accompanying proxy is solicited on behalf of the Board of Directors of Hovnanian Enterprises, Inc. (the "Company") for use at the Annual Meeting of Shareholders referred to in the foregoing notice and at any adjournment thereof. It is expected that this Proxy Statement and the accompanying proxy will be mailed commencing June 22, 1994 to each shareholder entitled to vote. The Company's Annual Report for fiscal 1994 accompanies this Proxy Statement.

Shares represented by properly executed proxies, if such proxies are received in time and not revoked, will be voted in accordance with the specifications thereon. If no specifications are made, the persons named in the accompanying proxy will vote such proxy for the Board of Directors' slate of Directors, for the ratification of selected independent accountants, to approve the Company's Cash Bonus Plan and as recommended by the Board of Directors unless contrary instructions are given. Any person executing a proxy may revoke it at any time before it is exercised by delivering written notice of revocation to the Secretary of the Company or by voting in person at the meeting.

CHANGE IN FISCAL YEAR

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 eight month transition period of March 1 through October 31, 1994 will be filed on Form 10-K. Any reference to fiscal 1994 in this proxy statement refers to the fiscal year ended February 28, 1994.

VOTING RIGHTS AND SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The record date for the determination of shareholders entitled to vote at the meeting is the close of business on June 17, 1994. On June 17, 1994, the voting securities of the Company outstanding consisted of 14,446,428 shares of Class A Common Stock, each share entitling the holder thereof to one vote and 8,440,825 shares of Class B Common Stock, each share entitling the holder thereof to ten votes.

Other than as set forth in the table below, there are no persons known to the Company to own beneficially shares representing more than 5% of the Company's Class A Common Stock or Class B Common Stock.

The following table sets forth as of June 17, 1994 the Class A Common Stock and Class B Common Stock of the Company beneficially owned by each Director and nominee for Director, by all Directors and officers of the Company as a group (including the named individuals) and holders of more than 5%:

DIRECTORS, NOMINEES AND HOLDERS OF MORE THAN 5%	CLASS A COMMON STOCK		CLASS B COMMON STOCK	
	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS(2)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS(2)
Kevork S. Hovnanian(3).....	5,617,687	38.1%	5,668,387	65.3%
Ara K. Hovnanian(3).....	1,276,614	8.7%	1,241,376	14.3%
Paul W. Buchanan.....	19,507	.1%	17,160	.2%
Arthur M. Greenbaum.....	1,500	--	1,500	--
Timothy P. Mason.....	26,200	.2%	13,177	.2%
Desmond P. McDonald.....	3,750	--	3,750	--
Peter S. Reinhart.....	15,475	.1%	13,715	.2%
John J. Schimpf.....	69,645	.5%	37,932	.4%
Stephen D. Weinroth.....	2,250	--	2,250	--
All Directors and officers as a group (10 persons).....	7,051,015	47.8%	7,013,527	80.8%

Notes:

- (1) The figures in the table represent beneficial ownership (including ownership of 292,273 Class A Common Stock Options and 240,060 Class B Common Stock Options, currently exercisable or exercisable within 60 days) and sole voting and investment power.
- (2) Based upon the number of shares outstanding plus options referred to in Note(1).
- (3) Address: 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701.

ELECTION OF DIRECTORS

The Company's By-laws provide that the Board of Directors shall consist of nine Directors who shall be elected annually by the shareholders. The Company's Certificate of Incorporation requires that, at any time when any shares of Class B Common Stock are outstanding, one-third of the Directors shall be independent. The following persons are proposed as Directors of the Company to hold office until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified. In the event that any of the nominees for Directors should become unavailable, it is intended that the shares represented by the proxies will be voted for such substitute nominees as may be nominated by the Board of Directors, unless the number of Directors constituting a full Board of Directors is reduced. The Company has no reason to believe, however, that any of the nominees is, or will be, unavailable to serve as a Director.

NAME	AGE	COMPANY AFFILIATION	YEAR FIRST BECAME A DIRECTOR
Kevork S. Hovnanian.....	71	Chairman of the Board and Director of the Company.	1967
Ara K. Hovnanian.....	36	President and Director of the Company.	1981

NAME ----	AGE ---	COMPANY AFFILIATION -----	YEAR FIRST BECAME A DIRECTOR -----
Paul W. Buchanan.....	43	Senior Vice President-- Corporate Controller and Director of the Company.	1982
Arthur M. Greenbaum.....	69	Director of the Company.	1992
Timothy P. Mason.....	54	Senior Vice President-- Administration/Secretary and Director of the Company.	1980
Desmond P. McDonald.....	66	Director of the Company.	1982
Peter S. Reinhart.....	44	Senior Vice President and General Counsel and Director of the Company.	1981
John J. Schimpf.....	45	Executive Vice President and Director of the Company.	1986
Stephen D. Weinroth.....	55	Director of the Company.	1982

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Mr. K. Hovnanian founded the predecessor of the Company in 1959 and has served as Chairman of the Board and Chief Executive Officer of the Company since its initial incorporation in 1967. Mr. K. Hovnanian was also President of the Company from 1967 to April 1988. Mr. K. Hovnanian is also a director of Midlantic Corporation.

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

Mr. Buchanan was appointed Senior Vice President--Corporate Controller in May 1990, after serving as Vice President--Corporate Controller from March 1983.

Mr. Greenbaum has been a senior partner of Greenbaum, Rowe, Smith, Ravin & Davis, a law firm since 1953. Mr. Greenbaum qualifies as an independent Director as defined in the Company's Certificate of Incorporation.

Mr. Mason was appointed Senior Vice President of Administration/Secretary in March 1991 after serving as Vice President--Administration and Secretary/Treasurer from March 1982.

Mr. McDonald has been a Director of Midlantic National Bank since 1976, Executive Committee Chairman of Midlantic National Bank since August 1992, a Vice Chairman of Midlantic Corporation from June 1990 to July 1992 and is also a Director of Midlantic Corporation. Mr. McDonald was the President of Midlantic National Bank from 1976 to June 1992. Mr. McDonald qualifies as an independent Director as defined in the Company's Certificate of Incorporation.

Mr. Reinhart has been Senior Vice President and General Counsel since April 1985.

Mr. Schimpf has been Executive Vice President of the Company since April 1988.

Mr. Weinroth is Co-chairman of the Board and Chief Executive Officer of VETTA Sports, Inc., a worldwide supplier of bicycle parts and accessories and Vice Chairman of SCS Communications, Inc., a media company with publishing and magazine interests. He has held such positions since November 1993 and August 1993 respectively. He is also an independent investor and financial advisor. From July 1989 to April 1992 he was Chairman of the Board and Chief Executive Officer of Integrated

Resources, Inc. He was a Managing Director and a member of the Board of Directors of Drexel Burnham Lambert Incorporated from 1981 until 1989. Mr. Weinroth was also Chairman and Chief Executive Officer of Drexel Burnham Lambert Commercial Paper Incorporated during that time. He is a director of First Britannia Capital B.V.; SCS Communications, Inc. and VETTA Sports, Inc. In February 1990 and May 1990, Integrated Resources, Inc. and Drexel Burnham Lambert Incorporated, respectively, filed for protection under Chapter 11 of the Federal Bankruptcy Code. Mr. Weinroth qualifies as an independent Director as defined in the Company's Certificate of Incorporation.

#### MEETINGS OF BOARD OF DIRECTORS

The members of the Audit Committee of the Board of Directors currently are Messrs. McDonald, Weinroth and Mason. The Audit Committee is chaired by Mr. McDonald and is responsible for reviewing and approving the scope of the annual audit undertaken by the Company's independent accountants and meeting with them to review the results of their work as well as their recommendations. The Audit Committee has direct access to the Company's independent accountants and also reviews the fees of independent accountants and recommends to the Board of Directors the appointment of independent accountants.

The Internal Audit Manager for the Company reports directly to the Audit Committee on, among other things, the Company's compliance with certain Company procedures which are designed to enhance management's consideration of all aspects of major transactions involving the Company. The Audit Committee has direct control over staffing, including compensation, of the internal audit department. The Company's Chief Accounting Officer reports directly to the Audit Committee on significant accounting issues. During fiscal 1994 the Audit Committee met twice.

The Compensation Committee consists currently of Messrs. McDonald and Weinroth. Mr. K. Hovnanian, a member of the Compensation Committee during fiscal 1994, resigned on May 10, 1994. The Compensation Committee is currently chaired by Mr. Weinroth and is active in reviewing salaries, bonuses and other forms of compensation for officers and key employees of the Company, in establishing salaries and in other compensation and personnel areas as the Board of Directors from time to time may request. For a discussion of the criteria utilized and factors considered by the Compensation Committee in reviewing and establishing executive compensation, see "Report of the Compensation Committee" below. During fiscal 1994 the Compensation Committee met once.

The Company has no executive or nominating committees. Procedures for nominating persons for election to the Board of Directors are contained in the Company's Bylaws.

During the fiscal year ended February 28, 1994 the Board of Directors held four regularly scheduled meetings. In addition, the directors considered Company matters and had numerous communications with the Chairman of the Board of Directors and others wholly apart from the formal meetings.

#### DIRECTOR COMPENSATION

Each director who is not an officer of the Company is paid \$2,000 per regularly scheduled meeting, \$1,000 for each committee meeting attended and a bonus. All directors are reimbursed for expenses related to his attendance at Board of Directors and committee meetings. During the year ended February 28, 1994, including an accrued bonus paid on May 10, 1994, Mr. McDonald received \$21,000, Mr. Greenbaum received \$18,000 and Mr. Weinroth received \$21,000.

RATIFICATION OF THE SELECTION OF AND  
RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS

The selection of independent accountants to examine financial statements of the Company made available or transmitted to shareholders and filed with the Securities and Exchange Commission for the eight months ended October 31, 1994 is to be submitted to the meeting for ratification. Kenneth Leventhal & Company has been selected by the Board of Directors of the Company to examine such financial statements.

The Company has been advised that a representative of Kenneth Leventhal & Company will attend the Annual Meeting to respond to appropriate questions and will be afforded the opportunity to make a statement if the representative so desires.

CASH BONUS PLAN

On May 10, 1994, the Compensation Committee presented to the Board of Directors the Cash Bonus Plan ("CBP") which was approved by the Board of Directors subject to the approval of the Shareholders. The CBP is identical to the bonus plan that was in effect for the year ended February 28, 1994. The CBP was established for Mr. K. Hovnanian, Chairman of the Board and Chief Executive Officer and Mr. A. Hovnanian, President and Chief Operating Officer. It is intended to establish "performance-based" compensation and therefore will be exempt from the limitations on deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Under certain 1993 amendments to the Code, publicly held corporations generally may not deduct compensation for certain employees to the extent that such compensation exceeds \$1,000,000.

The sole participants in the CBP are Mr. K. Hovnanian and Mr. A. Hovnanian. The cash bonus paid under the CBP is based on the Company's annual Return on Equity ("ROE"). ROE is computed by dividing net income of the Company by its weighted average equity for each fiscal year. For the transition period ended October 31, 1994, the bonus for the ROE calculated for the year ended October 31, 1994 will be multiplied by two thirds. The cash bonus to be paid based on various levels of ROE is as follows:

ROE	BONUS	ROE	BONUS
-----	-----	-----	-----
0.00% to 5.00%	0	15.01% to 17.50%	\$ 500,000
5.01% to 7.50%	\$100,000	17.51% to 20.00%	\$ 750,000
7.51% to 10.00%	\$200,000	20.01% to 22.50%	\$1,000,000
10.01% to 12.50%	\$300,000	22.51% to 25.00%	\$1,250,000
12.51% to 15.00%	\$400,000	25.01% and Higher	\$1,375,000

The bonus for the eight month period ended October 31, 1994 cannot be determined. If the CBP had been in effect for the fiscal year ended February 28, 1994, both participants would have received \$300,000.

The Compensation Committee will administer the CBP and determine whether the various targets have been met. The CBP will be in effect as of March 1, 1994 for the transition period ended October 31, 1994 and shall continue until terminated by the Board of Directors. The CBP may be amended by the Company from time to time provided written approval is obtained from the participants if the bonus payment is reduced or shareholder approval if the bonus payment is increased.



The CBP is designed to maintain the deductibility of compensation for the Company's Chief Executive Officer and Chief Operating Officer under the limitation of Section 162(m). The recipients of bonuses under the CBP will pay Federal income tax on such bonuses at ordinary income rates, which currently are at a maximum rate of 39.6%. Each participant is required to make appropriate arrangements with the Company for satisfaction of any Federal, state or local income tax withholding requirements and Social Security or other tax requirements applicable to the accrual or payment of benefits under the CBP. If no other arrangements are made, the Company may provide, at its discretion, for any withholding and tax payments as maybe required.

#### EXECUTIVE COMPENSATION

##### SUMMARY COMPENSATION TABLE

The following table summarizes the compensation paid or accrued by the Company for the chief executive officer and the other four most highly compensated executives during the year ended February 28(29), 1994, 1993 and 1992.

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
		SALARY	BONUS(1)	OTHER ANNUAL COMPEN-SATION(2)	AWARDS			ALL OTHER COMPEN-SATION(4)
					RESTRICTED STOCK AWARDS	NUMBER OF UNDERLYING SECURITIES OPTIONS/SARS(3)	LTIP PAYOUTS	
Kevork S. Hovnanian..... Chairman of the Board of Directors, Chief Executive Officer, and Director of the Company	1994	\$720,352	\$300,000	\$ 0	\$ 0	0	N/A	\$11,038
	1993	\$681,178	\$150,000	\$0	\$0	0	N/A	\$ 9,744
	1992	\$643,946	\$ 50,000	\$0	\$0	0	N/A	\$ 9,661
Ara K. Hovnanian..... President and Director of the Company	1994	\$632,600	\$300,000	\$ 0	\$ 0	0	N/A	\$16,143
	1993	\$619,381	\$200,000	\$0	\$0	295,000	N/A	\$ 947
	1992	\$524,954	\$150,000	\$0	\$0	0	N/A	\$ 1,730
John J. Schimpf..... Executive Vice Presi- dent and Director of the Company	1994	\$200,277	\$100,000	\$ 0	\$ 0	0	N/A	\$15,304
	1993	\$186,599	\$ 80,000	\$0	\$0	70,000	N/A	\$11,463
	1992	\$175,078	\$ 35,000	\$0	\$0	0	N/A	\$18,479
J. Larry Sorsby..... Senior Vice President/ Finance and Treasurer of the Company	1994	\$169,371	\$ 82,500	\$0	\$0	0	N/A	\$ 7,953
	1993	\$157,223	\$ 60,000	\$0	\$0	35,000	N/A	\$ 5,264
	1992	\$144,675	\$ 30,000	\$0	\$0	0	N/A	\$ 7,207
Peter S. Reinhart..... Senior Vice President/ General Counsel and Di- rector of the Company	1994	\$152,022	\$ 56,800	\$0	\$0	0	N/A	\$12,141
	1993	\$137,945	\$ 50,000	\$0	\$0	15,000	N/A	\$10,445
	1992	\$147,936	\$ 20,000	\$0	\$0	0	N/A	\$16,161

Notes:

- (1) Includes awards not paid until after year end.
- (2) Includes perquisites and other personal benefits unless the aggregate amount is lesser than either \$50,000 or 10% of the total of annual salary and bonus reported for the named executive officer.
- (3) The Company does not have a stock appreciation right ("SAR") program.

(4) Includes accruals under the Company's savings and investment retirement plan (the "Retirement Plan"), deferred compensation plan (the "Deferred Plan") and term life insurance premiums for each of the named executive officers for fiscal 1994 as follows:

	RETIREMENT PLAN	DEFERRED PLAN	TERM INSURANCE	TOTAL
K. Hovnanian.....	\$10,446	\$ 0	\$592	\$11,038
A. Hovnanian.....	\$15,196	\$ 0	\$947	\$16,143
Schimpf.....	\$10,217	\$4,455	\$632	\$15,304
Sorsby.....	\$ 5,903	\$1,485	\$565	\$ 7,953
Reinhart.....	\$ 9,971	\$1,719	\$451	\$12,141

#### OPTION GRANTS IN LAST FISCAL YEAR

There were no options granted in fiscal 1994.

#### AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table provides information on option exercises in fiscal 1994 by the named executive officers and the value of such officers' unexercised options at February 28, 1994.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	SECURITIES UNDERLYING NUMBER OF UNEXERCISED OPTIONS AT		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT	
			FISCAL 1994 YEAR END(1)	FISCAL 1994 YEAR END(1)	FISCAL 1994 YEAR END(1)	FISCAL 1994 YEAR END(1)
Kevork S. Hovnanian.....	0	\$ 0	None	None	N/A	N/A
Ara K. Hovnanian.....	0	\$ 0	323,333	196,667	\$1,804,062	\$295,000
John J. Schimpf.....	23,500	\$132,438	83,333	46,667	\$ 507,499	\$ 70,001
J. Larry Sorsby.....	0	\$ 0	32,667	23,333	\$ 182,875	\$ 35,000
Peter S. Reinhart.....	8,000	\$ 12,500	29,000	10,000	\$ 196,500	\$ 15,000

#### Notes:

(1) Fiscal year ended February 28, 1994. The closing price of the Class A Common Stock on the last trading day of February, 1994 on the American Stock Exchange was \$13.00.

#### TEN-YEAR OPTION REPRICINGS

For the year ended February 28, 1994, there was no adjustment or amendment to the exercise price of the stock options previously awarded.

#### REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee is charged with the responsibility of determining the cash and other incentive compensation, if any, to be paid to the Company's executive officers and key employees. The amount and nature of the compensation received by the Company's executives in fiscal 1994 was determined in accordance with the compensation program and policies described below.

The executive compensation program is designed to attract, retain and reward highly qualified executives while maintaining a strong and direct link between executive pay, the Company's financial performance and total shareholder return. The executive compensation program contains three major components: base salaries, annual bonuses and stock options.

## Base Salary

The Compensation Committee believes that, due to the Company's success in its principal markets, other companies seeking proven executives may view members of the Company's highly experienced executive team as potential targets. The base salaries paid to the Company's executive officers in fiscal 1994 generally were believed to be necessary to retain their services.

Base salaries, including that of Mr. K. Hovnanian, the Company's Chief Executive Officer, are reviewed annually and are adjusted based on the performance of the executive, any increased responsibilities assumed by the executive, average salary increases or decreases in the industry and the going rate for similar positions at comparable companies. Mr. K. Hovnanian set the fiscal 1994 base salaries of the Company's executive officers. Each executive officer's base salary, including the base salary of Mr. K. Hovnanian, was reviewed in accordance with the above criteria by the members of the Compensation Committee and thereafter approved.

## Annual Bonus Program

The Company maintains an annual bonus program under which executive officers and other key management employees have the opportunity to earn cash bonuses. The annual bonus program is intended to motivate and reward executives for the achievement of individual performance objectives and for the attainment by the Company of strategic and financial performance goals, including levels of return on equity.

For the year ended February 28, 1994, the Company's executives received a bonus based on the Company's overall Return on Equity ("ROE"). Mr. K. Hovnanian, Chairman of the Board and Chief Executive Officer and Mr. A. Hovnanian, President and Chief Operating Officer received bonuses based on the Cash Bonus Plan as described in "Cash Bonus Plan" above. All other executive officers participate in a plan similar to the Cash Bonus Plan but instead of receiving a fixed amount, they receive a percentage of their base salary. As the Company's ROE reaches higher targeted levels, the bonus percentage of salary increases. The Company's executives received discretionary bonuses during fiscal 1993 and fiscal 1992.

The Company's annual bonus program is designed to be cost and tax effective. Accordingly, in light of recent federal tax law changes under the Omnibus Budget Reconciliation Act of 1993, the Cash Bonus Plan is being recommended for shareholder approval and reflects the Compensation Committee's policies of maximizing corporate tax deductions, wherever feasible.

## Stock Option Plan

The Option Plan established by the Board of Directors is intended to align the interests of the Company's executives and shareholders in the enhancement of shareholder value. The ultimate value received by option holders is directly tied to increases in the Company's stock price and, therefore, stock options serve to closely link the interests of management and shareholders and motivate executives to make decisions that will serve to increase the long-term total return to shareholders. Additionally, grants under the Option Plan include vesting and termination provisions which the Compensation Committee believes will encourage option holders to remain employees of the Company.

The Option Plan is administered by the Compensation Committee. See "Option Grants in Last Fiscal Year" above. No member of the Compensation Committee, while a member, is eligible to participate in the Option Plan.

COMPENSATION COMMITTEE

Stephen D. Weinroth  
Desmond P. McDonald

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. K. Hovnanian who is Chairman of the Board of Directors and Chief Executive Officer of the Company resigned from the Compensation Committee on May 10, 1994. Messrs. McDonald and Weinroth who are non-employee directors and members of the Compensation Committee were never officers or employees of the Company. See "CERTAIN TRANSACTIONS" for information concerning Mr. McDonald's business relationship with the Company.

PERFORMANCE GRAPH

The following graphs compare on a cumulative basis the yearly percentage change over the three and five year period ending February 28, 1994 in (i) the total shareholder return on the Common Stock of the Company with (ii) the total return on the Standard & Poor's 500 Composite Stock Price Index and with (iii) the total shareholder return on the common stocks of a peer group of twelve companies. Such yearly percentage change has been measured by dividing (i) the sum of (a) the amount of dividends for the measurement period, assuming dividend reinvestment, and (b) the price per share at the end of the measurement period less the price per share at the beginning of the measurement period, by (ii) the price per share at the beginning of the measurement period. The price of each unit has been set at \$100 on February 28, 1991 and 1989, respectively for the preparation of the graphs. The peer group index is composed of the following peer companies: Hovnanian Enterprises, Inc., Centex Corporation, PHM Corporation, U.S. Home Corporation, Standard Pacific Corp., The Ryland Group, Inc., MDC Holdings, Inc., NVR L.P., Toll Brothers, Inc., Kaufman and Broad Home Corporation, Lennar Corporation and UDC-Universal Development L.P.

Note: The stock price performance shown on the following graphs is not necessarily indicative of future price performance.

[GRAPH TO COME]

COMPARISON OF THREE-YEAR CUMULATIVE TOTAL RETURNS OF  
HOVNANIAN ENTERPRISES, INC.,  
THE S & P 500 INDEX AND A PEER GROUP INDEX  
(FEBRUARY 28/29)

Measurement period (Fiscal year Covered)	Hovnanian Enterprises, Inc.	Broad Market Index	Peer Group Index
Measurement PT - 1991	\$ 100	\$ 100	\$ 100
FYE 1992	\$ 219.61	\$ 116.01	\$ 173.54
FYE 1993	\$ 180.39	\$ 128.39	\$ 176.78
FYE 1994	\$ 203.92	\$ 139.09	\$ 205.47

[GRAPH TO COME]

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN OF  
HOVNANIAN ENTERPRISES, INC.,  
THE S & P 500 INDEX AND A PEER GROUP INDEX  
(FEBRUARY 28/29)

Measurement period (Fiscal year Covered)	Hovnanian Enterprises, Inc.	Broad Market Index	Peer Group Index
Measurement PT - 1989	\$ 100	\$ 100	\$ 100
FYE 1990	\$ 85.29	\$ 118.91	\$ 111.11
FYE 1991	\$ 75	\$ 136.33	\$ 101.54
FYE 1992	\$ 164.71	\$ 158.15	\$ 172.78
FYE 1993	\$ 135.29	\$ 175.02	\$ 172.2
FYE 1994	\$ 152.94	\$ 189.62	\$ 199.7

CERTAIN TRANSACTIONS

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 February 28, 1994, loans under this policy amounted to \$1,384,000.

On March 1, 1990, the Company sold all of the assets and liabilities of its wholly owned engineering subsidiary Najarian & Associates, Inc. ("N & A") for \$3,600,000 to Najarian & Associates L.P., a partnership consisting of the employees of N & A. 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 of the Company. At the closing, the Company received a cash payment of \$720,000 and a \$2,880,000 note. The sale was approved by disinterested members of the Company's Board of Directors. 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 of Najarian & Associates, L.P. During fiscal 1992, Najarian & Associates, L.P. began to

experience a significant decrease in business activity. As a result, the note was modified to change the interest rate to prime, to add accrued interest from September 1, 1991 to September 1, 1992 to principal and to 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 in the current fiscal year. 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.

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.

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 general partner, and members of his family and certain officers and directors of the Company are limited partners. At February 28, 1994, loans by the Company to these partnerships amounted to \$27,000.

Mr. Desmond McDonald, a Director of the Company, was the President of Midlantic National Bank ("Midlantic") until July 1992. Mr. McDonald currently owns 10,794 shares of common stock of Midlantic. From time to time the Company obtains services and financing from Midlantic. The Company has a Revolving Credit Agreement with a group of banks, including Midlantic. At February 28, 1994 the Company and its subsidiaries owed \$39,307,000 to Midlantic pursuant to a Revolving Credit Agreement and other financing arrangements.

Mr. Arthur Greenbaum is a senior partner of Greenbaum, Rowe, Smith, Ravin & Davis, a law firm retained by the Company during fiscal 1994.

#### GENERAL

The expense of this solicitation is to be borne by the Company. The Company may also reimburse persons holding shares in their names or in the names of their nominees for their expenses in sending proxies and proxy material to their principals.

Unless otherwise directed, the persons named in the accompanying form of proxy intend to vote all proxies received by them in favor of the election of nominees to the Board of Directors of the Company named herein, in favor of the ratification of selected independent accountants and to approve the Cash Bonus Plan. All proxies will be voted as specified.

Each share of Class A Common Stock entitles the holder thereof to one vote and each share of Class B Common Stock entitles the holder thereof to ten votes. Votes of Class A Common Stock and Class B Common Stock will be counted together without regard to class and will be certified by the Inspectors of Election, who are employees of the Company. Notwithstanding the foregoing, the

Company's Certificate of Incorporation provides that each share of Class B Common Stock held, to the extent of the Company's knowledge, in nominee name by a stockbroker, bank or otherwise will be entitled to only one vote per share unless the Company is satisfied that such shares have been held, since the date of issuance, for the benefit or account of the same beneficial owner of such shares or any permitted transferee. Beneficial owners of shares of Class B Common Stock held in nominee name wishing to cast ten votes for each share of such stock must (i) obtain from their nominee a proxy card designed for beneficial owners of Class B Common Stock, (ii) complete the certification on such card and (iii) execute the card and return it to their nominee. The Company has also supplied nominee holders of Class B Common Stock with specially designed proxy cards to accommodate the voting of the Class B Common Stock. In accordance with the Company's Certificate of Incorporation, shares of Class B Common Stock held in nominee name will be entitled to ten votes per share only if the beneficial owner proxy card or the nominee proxy card relating to such shares is properly completed and received by Midlantic National Bank, the Company's transfer agent, not less than 3 nor more than 20 business days prior to July 13, 1994. Completed proxy cards should be sent to Post Office Box 600, Edison, New Jersey 08818, Attention: Corporate Trust Department.

All items to be acted upon at the 1994 Annual Meeting of Shareholders will be determined by a majority of the votes cast. Mr. K. Hovnanian and certain members of his family have informed the Company that they intend to vote in favor of all proposals submitted on behalf of the Company. Because of the voting power of Mr. K. Hovnanian and such members of his family, all of the foregoing proposals are assured passage.

Management does not intend to present any business at the meeting other than that set forth in the accompanying Notice of Annual Meeting of Shareholders, and it has no information that others will do so. If other matters requiring the vote of the shareholders properly come before the meeting and any adjournments thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxies held by them in accordance with their judgment on such matters.

SHAREHOLDER PROPOSALS FOR THE  
1995 ANNUAL MEETING

Shareholder proposals for inclusion in the proxy materials related to the 1995 Annual Meeting of Shareholders must be received by the Company no later than October 31, 1994.

By Order of the Board of Directors  
Hovnanian Enterprises, Inc.

Red Bank, New Jersey  
June 22, 1994



HOVNANIAN ENTERPRISES, INC.

CLASS A COMMON STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Kevork S. Hovnanian, Ara K. Hovnanian and Desmond P. McDonald, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of Shareholders of HOVNANIAN ENTERPRISES, INC. to be held in the Boardroom of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York, at 10:30 A.M. on July 13, 1994, and at any adjournments thereof, upon the matters set forth in the notice of meeting and Proxy Statement dated June 22, 1994 and upon all other matters properly coming before said meeting.

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THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED (1) FOR THE ELECTION OF THE NOMINEES OF THE BOARD OF DIRECTORS; (2) FOR THE RATIFICATION OF THE SELECTION OF KENNETH LEVENTHAL & COMPANY AS INDEPENDENT ACCOUNTANTS; (3) FOR RATIFICATION OF THE COMPANY'S CASH BONUS PLAN; AND (4) ON ANY OTHER MATTERS IN ACCORDANCE WITH THE DISCRETION OF THE NAMED ATTORNEYS AND AGENTS, IF NO INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN ITEMS (1), (2), (3) AND (4).

	FOR	WITHHELD
1. Election of Directors, Nominees:	+ + + +	+ + + +
K. Hovnanian,	+ +	+ +
A. Hovnanian,	+ + + +	+ + + +
P. Buchanan,		
A. Greenbaum,		
T. Mason,		
D. McDonald,		
P. Reinhart,		
J. Schimpf,		
S. Weinroth		

For, except vote withheld from the following nominee(s):

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2. Ratification of the selection of Kenneth Leventhal & Company as independent accountants for the eight months ended October 31, 1994.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ +	+ +	+ +
+ + + +	+ + + +	+ + + +

3. Ratification of the Company's Cash Bonus Plan.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ +	+ +	+ +
+ + + +	+ + + +	+ + + +

4. In their discretion, upon other matters as may properly come before the meeting.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope. This Proxy must be signed exactly as name appears hereon. Executors, administrators, trustees, etc., should give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer.

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1994

Class A Common Stock

SIGNATURE(S)

DATE

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HOVNANIAN ENTERPRISES, INC.

CLASS B COMMON STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Kevork S. Hovnanian, Ara K. Hovnanian and Desmond P. McDonald, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of Shareholders of HOVNANIAN ENTERPRISES, INC. to be held in the Boardroom of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York, at 10:30 A.M. on July 13, 1994, and at any adjournments thereof, upon the matters set forth in the notice of meeting and Proxy Statement dated June 22, 1994 and upon all other matters properly coming before said meeting.

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THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED (1) FOR THE ELECTION OF THE NOMINEES OF THE BOARD OF DIRECTORS; (2) FOR THE RATIFICATION OF THE SELECTION OF KENNETH LEVENTHAL & COMPANY AS INDEPENDENT ACCOUNTANTS; (3) FOR RATIFICATION OF THE COMPANY'S CASH BONUS PLAN; AND (4) ON ANY OTHER MATTERS IN ACCORDANCE WITH THE DISCRETION OF THE NAMED ATTORNEYS AND AGENTS, IF NO INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN ITEMS (1), (2), (3) AND (4).

	FOR	WITHHELD
1. Election of Directors, Nominees:	+ + + +	+ + + +
K. Hovnanian,	+ + + +	+ + + +
A. Hovnanian,	+ + + +	+ + + +
P. Buchanan,		
A. Greenbaum,		
T. Mason,		
D. McDonald,		
P. Reinhart,		
J. Schimpf,		
S. Weinroth		

For, except vote withheld from the following nominee(s):  
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2. Ratification of the selection of Kenneth Leventhal & Company as independent accountants for the eight months ended October 31, 1994.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +

3. Ratification of the Company's Cash Bonus Plan.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +

4. In their discretion, upon other matters as may properly come before the meeting.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope. This Proxy must be signed exactly as name appears hereon. Executors, administrators, trustees, etc., should give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer.

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1994

Class B Common Stock

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SIGNATURE(S)

DATE

HOVNANIAN ENTERPRISES, INC.

BENEFICIAL OWNER OF CLASS B COMMON STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Kevork S. Hovnanian, Ara K. Hovnanian and Desmond P. McDonald, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of Shareholders of HOVNANIAN ENTERPRISES, INC. to be held in the Boardroom of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York, at 10:30 A.M. on July 13, 1994, and at any adjournments thereof, upon the matters set forth in the notice of meeting and Proxy Statement dated June 22, 1994 and upon all other matters properly coming before said meeting.

By signing on the reverse hereof, the undersigned certifies that (A) with respect to \_\_\_\_\_ of the shares represented by this proxy, the undersigned has been the beneficial owner of such shares since the date of their issuance or is a Permitted Transferee (as defined in paragraph 4(A) of Article FOURTH of the Company's Certificate of Incorporation) of any such beneficial owner and (B) with respect to the remaining \_\_\_\_\_ shares represented by this proxy, the undersigned has not been the beneficial owner of such shares since the date of their issuance nor is the undersigned a Permitted Transferee of any such beneficial owner.

If no certification is made, it will be deemed that all shares of Class B Common Stock represented by this proxy have not been held, since the date of issuance, for the benefit or account of the same beneficial owner of such shares or any Permitted Transferee.

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THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED (1) FOR THE ELECTION OF THE NOMINEES OF THE BOARD OF DIRECTORS; (2) FOR THE RATIFICATION OF THE SELECTION OF KENNETH LEVENTHAL & COMPANY AS INDEPENDENT ACCOUNTANTS; (3) FOR RATIFICATION OF THE COMPANY'S CASH BONUS PLAN; AND (4) ON ANY OTHER MATTERS IN ACCORDANCE WITH THE DISCRETION OF THE NAMED ATTORNEYS AND AGENTS, IF NO INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN ITEMS (1), (2), (3) AND (4).

	FOR	WITHHELD
1. Election of Directors, Nominees:	+ + + +	+ + + +
K. Hovnanian,	+ + + +	+ + + +
A. Hovnanian,	+ + + +	+ + + +
P. Buchanan,		
A. Greenbaum,		
T. Mason,		
D. McDonald,		
P. Reinhart,		
J. Schimpf,		
S. Weinroth		

For, except vote withheld from the following nominee(s):

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2. Ratification of the selection of Kenneth Leventhal & Company as independent accountants for the eight months ended October 31, 1994.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +

3. Ratification of the Company's Cash Bonus Plan.

FOR	AGAINST	ABSTAIN
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +
+ + + +	+ + + +	+ + + +

4. In their discretion, upon other matters as may properly come before the meeting.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope. This Proxy must be signed exactly as name appears hereon. Executors, administrators, trustees, etc., should give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer.

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1994

Class B Common Stock

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SIGNATURE(S)

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DATE

HOVNANIAN ENTERPRISES, INC.

NOMINEE HOLDER OF CLASS B COMMON STOCK

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Kevork S. Hovnanian, Ara K. Hovnanian and Desmond P. McDonald, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of Shareholders of HOVNANIAN ENTERPRISES, INC. to be held in the Boardroom of the American Stock Exchange, 13th Floor, 86 Trinity Place, New York, New York, at 10:30 A.M. on July 13, 1994, and at any adjournments thereof, upon the matters set forth in the notice of meeting and Proxy Statement dated June 22, 1994 and upon all other matters properly coming before said meeting.

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THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED (1) FOR THE ELECTION OF THE NOMINEES OF THE BOARD OF DIRECTORS; (2) FOR THE RATIFICATION OF THE SELECTION OF KENNETH LEVENTHAL & COMPANY AS INDEPENDENT ACCOUNTANTS FOR FISCAL YEAR 1994; (3) FOR RATIFICATION OF THE COMPANY'S CASH BONUS PLAN; AND (4) ON ANY OTHER MATTERS IN ACCORDANCE WITH THE DISCRETION OF THE NAMED ATTORNEYS AND AGENTS, IF NO INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN ITEMS (1), (2), (3) AND (4).

CLASS B COMMON STOCK SHARES OWNED BY SAME BENEFICIAL OWNER OR PERMITTED TRANSFEREE SINCE ISSUANCE			CLASS B COMMON STOCK SHARES NOT OWNED BY SAME BENEFICIAL OWNER OR PERMITTED TRANSFEREE SINCE ISSUANCE		
FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN
(POST NUMBER OF SHARES NOT NUMBER OF VOTES)			(POST NUMBER OF SHARES NOT NUMBER OF VOTES)		

1. Directors:						
K. Hovnanian	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
A. Hovnanian	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
P. Buchanan	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
A. Greenbaum	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
T. Mason	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
D. McDonald	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
P. Reinhart	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
J. Schimpf	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
S. Weinroth	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
2. Ratification of independent accountants	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.
3. Ratification of the Company's Cash Bonus Plan	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.	___ shs.

4. In their discretion, upon other matters as may properly come before the meeting.

Please mark, sign, date and return the proxy card promptly using the enclosed envelope. This proxy must be signed exactly as name appears hereon. Executors, administrators, trustees, etc., should give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer.

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1994  
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Class B Common Stock

SIGNATURE(S)

DATE